



## **COUNCIL CHAMBERS**

17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

<b>COUNCIL MEMBERS</b>	<b>REDEVELOPMENT AGENCY</b>
Dennis Kennedy, Mayor	Dennis Kennedy, Chair
Mark Grzan, Mayor Pro Tempore	Mark Grzan, Vice-Chair
Larry Carr, Council Member	Larry Carr, Agency Member
Greg Sellers, Council Member	Greg Sellers, Agency Member
Steve Tate, Council Member	Steve Tate, Agency Member

**WEDNESDAY, JUNE 21, 2006**

**AGENDA**

**JOINT MEETING**

**CITY COUNCIL SPECIAL & REGULAR MEETING**

**and**

**REDEVELOPMENT AGENCY SPECIAL & REGULAR MEETING**

**6:00 P.M.**

*A Special Meeting of the City Council and Redevelopment Agency is Called at 6:00 P.M. for the Purpose of Conducting Closed Sessions.*

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**Dennis Kennedy, Mayor/Chairman**

**CALL TO ORDER**

(Mayor/Chairperson Kennedy)

**ROLL CALL ATTENDANCE**

(Deputy City Clerk/Deputy Agency Secretary Malone)

**DECLARATION OF POSTING OF AGENDA**

**Per Government Code 54954.2**

(Deputy City Clerk/Deputy Agency Secretary Malone)

**6:00 P.M.**

## ***City Council Action and Redevelopment Agency Action***

### **CLOSED SESSION:**

**1.**

#### **PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Authority	Government Code 54957
Public Employee Performance Evaluation:	City Manager
Attendees:	City Council, City Manager

**2.**

#### **CONFERENCE WITH LABOR NEGOTIATORS – UNREPRESENTED EMPLOYEE:**

Authority:	Government Code Section 54957.6
Agency Negotiators:	Mayor Dennis Kennedy, Council Member Steve Tate
Employee:	City Manager
Closed Session Topic:	Give instructions to labor negotiators regarding City Manager's Contract

### **OPPORTUNITY FOR PUBLIC COMMENT**

### **ADJOURN TO CLOSED SESSION**

### **RECONVENE**

### **CLOSED SESSION ANNOUNCEMENT**

**7:00 P.M.**

### **SILENT INVOCATION**

### **PLEDGE OF ALLEGIANCE**

### **PROCLAMATIONS**

Parks & Recreation Month  
*Parks & Recreation Commissioner Marilyn Librers*

### **RECOGNITIONS**

Retiring Board and Commission Member  
*Library, Culture & Arts Commissioner Jeanne Gregg*

Retiring Fire Chief Ben Lopes  
*Ben Lopes*

### **CITY COUNCIL REPORT**

Mayor Kennedy

### **CITY COUNCIL COMMITTEE REPORTS**

### **CITY MANAGER'S REPORT**

### **CITY ATTORNEY'S REPORT**

**OTHER REPORTS**

**PUBLIC COMMENT**

**NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS NOT ON THIS AGENDA.**

(See notice attached to the end of this agenda.)

**PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME  
THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND  
PRESENT IT TO THE CITY CLERK.**

(See notice attached to the end of this agenda.)

**PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE  
CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY  
COUNCIL/REDEVELOPMENT AGENCY.**

***City Council and Redevelopment Agency Action***

**ADOPTION OF AGENDA**

***City Council Action***

**CONSENT CALENDAR:**

**ITEMS**                      The Consent Calendar may be acted upon with one motion, a second and the vote, by each  
respective Agency. The Consent Calendar items are of a routine or generally uncontested nature  
and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of  
Conduct, any member of the Council or public may request to have an item pulled from the  
Consent Calendar to be acted upon individually.

**Time Estimate** **Page**  
**Consent Calendar: 1 - 10 Minutes**

1. [CENTENNIAL RECREATION CENTER PROJECT – MAY CONSTRUCTION PROGRESS  
REPORT](#) .....7  
**Recommended Action(s): Information** only.
2. [NEW LIBRARY PROJECT –MAY CONSTRUCTION PROGRESS REPORT](#) .....8  
**Recommended Action(s): Information** only.
3. [RECOMMENDATION FROM UTILITIES AND ENVIRONMENT COMMITTEE TO OPPOSE  
AB 2987](#) .....9  
**Recommended Action(s): Direct** Staff to Draft a Letter of Opposition to AB 2987 for the Mayor's  
Signature.
4. [APPROVAL OF IMPROVEMENT AGREEMENT WITH TRADER JOE'S \(APN 726-43-006\)](#) .....10  
**Recommended Action(s): Authorize** the City Manager to Sign an Improvement Agreement with  
Trader Joe's on behalf of the City, Subject to Review and Approval by the City Attorney.
5. [FIFTH AMENDMENT TO AGREEMENT WITH THE LAW FIRM OF HATCH & PARENT](#) .....11  
**Recommended Action(s): Authorize** the City Manager to Execute a Fifth Amendment to Agreement with  
the Law Firm of Hatch & Parent; Subject to Review and Approval by the City Attorney.

	<b>Time Estimate</b>	<b>Page</b>
	<b>Consent Calendar: 1 - 10 Minutes</b>	
6.	<b><u>APPROVE ONE YEAR EXTENSIONS FOR VARIOUS PUBLIC WORKS MAINTENANCE AGREEMENTS</u></b> .....	12
	<b><u>Recommended Action(s):</u></b>	
	1. <b><u>Approve</u></b> the Option to Extend Current Public Works Maintenance Agreements for One Year Each for a) Striping and Signing, b) Traffic Signal Maintenance, and c) Tree Pruning; and	
	2. <b><u>Authorize</u></b> the City Manager to Execute the Agreement Extensions on Behalf of the City; Subject to Review and Approval by the City Attorney.	
7.	<b><u>ACCEPT BOY'S RANCH RESERVOIR #3 PROJECT</u></b> .....	13
	<b><u>Recommended Action(s):</u></b>	
	1. <b><u>Accept</u></b> as Complete the Boy's Ranch Reservoir #3 Construction Project in the Final Amount of \$1,615,595.00;	
	2. <b><u>Direct</u></b> the City Clerk to File the Notice of Completion with the County Recorder's Office; and	
	3. <b><u>Authorize</u></b> the Additional Appropriation of \$150,000 from the Funds 651 and 653.	
8.	<b><u>ALTERNATIVE DISPATCH STUDY</u></b> .....	17
	<b><u>Recommended Action(s):</u></b> <b><u>Determine</u></b> Not to Pursue an Alternative Approach to Dispatch at this Time.	
9.	<b><u>AUTHORIZATION TO EXTEND ARCHITECTURAL CONSULTANT AGREEMENT FOR THE  NEW MORGAN HILL LIBRARY</u></b> .....	25
	<b><u>Recommended Action(s):</u></b> <b><u>Authorize</u></b> the City Manager to Amend Noll & Tam's Consultant Agreement Extending the Term until August 31, 2007.	
10.	<b><u>EXTENSION OF FIRE SERVICES CONTRACT</u></b> .....	26
	<b><u>Recommended Action(s):</u></b> <b><u>Authorize</u></b> the City Manager to Execute an Amendment to the Fire Services Contract with the Santa Clara County Fire District to Extend Services Through September 30, 2009.	
11.	<b><u>APPROVAL OF RESOLUTION PROVIDING COMPENSATION FOR CITY OF MORGAN HILL  MANAGEMENT AND CONFIDENTIAL EMPLOYEES</u></b> .....	28
	<b><u>Recommended Action(s):</u></b> <b><u>Adopt</u></b> Management Resolution.	
12.	<b><u>ADOPT ORDINANCE NO. 1780, NEW SERIES</u></b> .....	36.
	<b><u>Recommended Action(s):</u></b> <b><u>Waive</u></b> the Reading, and <b><u>Adopt</u></b> Ordinance No. 1780, New Series, and <b><u>Declare</u></b> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: <b>AN ORDINANCE OF THE CITY COUNCIL OF THE  CITY OF MORGAN HILL AMENDING TITLE I, CHAPTER 2, SECTIONS 2.04.020 AND  2.04.030 OF THE MORGAN HILL MUNICIPAL CODE TO ADJUST THE SALARIES OF  COUNCIL MEMBERS AND THE MAYOR.</b>	
13.	<b><u>APPROVE JOINT CITY COUNCIL REGULAR AND REDEVELOPMENT AGENCY REGULAR  MEETING MINUTES FOR JUNE 7, 2006</u></b> .....	39

## City Council and Redevelopment Agency Action

### CONSENT CALENDAR:

#### ITEM 14

Time Estimate  
Consent Calendar: 1 - 10 Minutes Page

14. [ADOPTION OF SOUTH COUNTY REGIONAL WASTEWATER \(SCRWA\) AUTHORITY FISCAL YEAR 2006-2007 BUDGET](#) .....66  
Recommended Action(s): Approve the Fiscal Year 2006-2007 SCRWA Budget.

## City Council and Redevelopment Agency Action

### OTHER BUSINESS:

Time Estimate Page

15. 10 Minutes [ADOPTION OF FISCAL YEAR 2006-2007 OPERATING AND CAPITAL IMPROVEMENT BUDGET](#) .....82  
Recommended Action(s):  
City Council Action:  
1. Approve Resolution of the City of Morgan Hill Adopting the Fiscal Year 2006-2007 Operating and CIP Budget and Adopting Appropriations Limit for Fiscal Year 2006-2007;  
Redevelopment Agency Action:  
2. Approve Resolution of the Redevelopment Agency of Morgan Hill Adopting the Fiscal Year 2006-2007 Agency Budget; and  
City Council Action:  
3. Approve the Five-Year Capital Improvement Plan.

## City Council Action

### OTHER BUSINESS:

Time Estimate Page

16. 10 Minutes [REQUEST FOR CITY COUNCIL SPONSORSHIP OF A “FORMER MAYORS” AND “SISTER CITIES” FOURTH OF JULY RECEPTION](#) .....90  
Recommended Action(s): Consider Request to Sponsor the “Former Mayors” and “Sister Cities” Fourth of July Reception.
17. 10 Minutes [RULES FOR SCHEDULING WORKSHOPS AND CLOSED SESSIONS](#) .....91  
Recommended Action(s):  
1. Council Discussion and Direction Regarding Amendment to Council Policy, CP-97-01, Section 5, Subsections D and E – Order of Business as they relate to the Start time of Workshops and Closed Sessions; and  
2. Staff to Amend Council Policy CP-97-01 per Council Direction.

### FUTURE COUNCIL-INITIATED AGENDA ITEMS:

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

### ADJOURNMENT

**PUBLIC COMMENTS ON ITEMS *NOT* APPEARING ON AGENDA**

Following the opening of Council/Agency business, the public may present comments on items *NOT* appearing on the agenda that are within the Council's/Agency's jurisdiction. Should your comments require Council/Agency action, your request will be placed on the next appropriate agenda. No Council/Agency discussion or action may be taken until your item appears on a future agenda. You may contact the City Clerk/Agency Secretary for specific time and dates. This procedure is in compliance with the California Public Meeting Law (Brown Act) G.C. 54950.5. Please limit your presentation to three (3) minutes.

**PUBLIC COMMENTS ON ITEMS APPEARING ON AGENDA**

The Morgan Hill City Council/Redevelopment Agency welcomes comments from all individuals on any agenda item being considered by the City Council/Redevelopment Agency. Please complete a Speaker Card and present it to the City Clerk/Agency Secretary. This will assist the Council/Agency Members in hearing your comments at the appropriate time. Speaker cards are available on the table in the foyer of the Council Chambers. In accordance with Government Code 54953.3 it is not a requirement to fill out a speaker card in order to speak to the Council/Agency. However, it is very helpful to the Council/Agency if speaker cards are submitted. As your name is called by the Mayor/Chairman, please walk to the podium and speak directly into the microphone. Clearly state your name and address and then proceed to comment on the agenda item. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the City Council/Agency Commission are limited to three minutes. We appreciate your cooperation.

**NOTICE**

**AMERICANS WITH DISABILITIES ACT (ADA)**

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City. If you need special assistance to access the meeting room or to otherwise participate at this meeting, including auxiliary aids or services, please contact the Office of the City Clerk/Agency Secretary at City Hall, 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation. Please make your request at least 48 hours prior to the meeting to enable staff to implement reasonable arrangements to assure accessibility to the meeting.

If assistance is needed regarding any item appearing on the City Council/Agency Commission agenda, please contact the Office of the City Clerk/Agency Secretary at City Hall, 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.

**NOTICE**

Notice is given, pursuant to Government Code Section 65009, that any challenge of Public Hearing Agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the City Council/Agency Commission at, or prior to the Public Hearing on these matters.

**NOTICE**

The time within which judicial review must be sought of the action by the City Council/Agency Commission which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *June 21, 2006*

### **CENTENNIAL RECREATION CENTER PROJECT – MAY CONSTRUCTION PROGRESS REPORT**

**RECOMMENDED ACTION(S):** *Information Only*

#### **EXECUTIVE SUMMARY:**

Previous Council action awarded the contract for construction of the Centennial Recreation Center Project to West Coast Contractors, Inc. At that time, staff informed Council that we would report monthly on the progress of the construction. Attached is the progress report for the month of May. This report has been sent to our webmaster for posting on the City's website. Current construction activity can be viewed live on the internet at [www.novapartners.com/mhirc](http://www.novapartners.com/mhirc).

Inclement weather appears to be behind us and site work is continuing with good progress. As seen on the "Hard Hat Tour" May 23<sup>rd</sup>, building finishes in Area "A" are also progressing well. Framing is nearly completed in the locker rooms and shotcrete has been placed in the pool. The contractor is attempting to make up time from previous weather delays. It is still too early to tell how much, if any, will help the schedule. Barring any unforeseen circumstances, the anticipated Grand Opening has been pushed back to the middle of October and possibly the first of November 2006. The project is currently within budget.

**FISCAL/RESOURCE IMPACT:** None

**Agenda Item #1**

**Prepared By:**

**Sr. Project Manager**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *June 21, 2006*

### **NEW LIBRARY PROJECT – MAY CONSTRUCTION PROGRESS REPORT**

**RECOMMENDED ACTION(S):** *Information Only*

#### **EXECUTIVE SUMMARY:**

Previous Council action awarded the contracts for construction of the New Library to 19 different prime contractors. At that time, staff informed Council that we would report monthly on the progress of the construction. Attached is the progress report for the month of May. This report has been sent to our webmaster for posting on the City's website. Current construction activity can also be viewed live on the internet at [www.tbionline.com/tbicons/projects.htm](http://www.tbionline.com/tbicons/projects.htm).

Just prior to the ground breaking celebration, severe groundwater was discovered flowing beneath the site. Permanent subdrain systems were designed and installed at an additional cost of nearly \$100K with a 25 day impact to the project schedule. These systems are working well to remove the water beneath the site; unfortunately, they do not dry the over saturated surface soils. Consequently, additional effort is also being expended to disc (or turn over) the wet soil in an effort to dry it out. Additionally, the grading contractor is mixing onsite dry soil with the saturated soils to minimize further project schedule impacts. Barring any unforeseen circumstances, the anticipated substantial completion date has been pushed back to the end of April, 2007. The grand opening date depends upon the County moving into the building, and is tentatively scheduled approximately six weeks later. The project is currently within budget.

**FISCAL/RESOURCE IMPACT:** None

**Agenda Item # 2**

**Prepared By:**

**Sr. Project Manager**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**





## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *June 21, 2006*

### **RECOMMENDATION FROM UTILITIES AND ENVIRONMENT COMMITTEE TO OPPOSE AB 2987**

#### **RECOMMENDED ACTION(S):**

Direct Staff to Draft a Letter of Opposition for the Mayor's Signature on AB 2987

**EXECUTIVE SUMMARY:** At their meeting on May 22, 2006, the Utilities and Environment Committee evaluated AB 2987 (Nunez/Levine) and recommended that the City adopt a formal position of opposition. This bill would create a new statewide franchise for cable and video service providers issued by the California Department of Consumer Affairs. While the bill's supporters claim that AB 2987 will guarantee "speed to market" for telephone companies that want to offer video services that compete with cable companies and will offer consumers lower rates and better service, the League of California Cities has made defeating this bill one of their principal policy interests of the current year for the following reasons:

- Discrimination – the bill would not require a new video provider to service all of a community. This would enable them to discriminate against low income neighborhoods and create new facets of the digital divide.
- Customer Service – the bill pre-empts the City's ability to adopt its own stricter customer service standards. This will have the effect of reducing customer service.
- Rights-of-Way Management – the bill would enable telephone companies to install large utility boxes in the public right-of-way without consulting the City or residents.
- PEG Funding and Franchise Fees – the bill would eliminate the ability for the City to negotiate directly to determine the proper level of support for access television services and franchise fees.
- Institutional Services – the bill would not require the provider to include any institutional networks between public buildings – as are now commonly provided in cable franchises.

For these reasons, the Utilities and Environment Committee and staff recommend that the City formally oppose AB 2987.

**FISCAL/RESOURCE IMPACT:** No budget adjustment is requested for this item. The preparation of this staff report is an included activity in the work program of the Public Works Department.

**Agenda Item # 3**

**Prepared By:**

**Program Administrator**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 21, 2006***

### **APPROVAL OF IMPROVEMENT AGREEMENT WITH TRADER JOE'S (APN 726-43-006)**

**RECOMMENDED ACTION(S):** Authorize the City Manager to sign an improvement agreement with Trader Joe's on behalf of the City subject to review and approval by the City Attorney.

**Agenda Item # 4**

**Prepared By:**

**Assistant Engineer**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**

**EXECUTIVE SUMMARY:** The agreement is to guarantee the construction of public improvements for the Trader Joe's retail food market located on the northwest corner of Laurel Road and Walnut Grove Drive (see attached location map). The public improvements are required per section 12.02.050 of the Municipal Code with an estimated construction cost of \$189,000. Project public improvements include: street widening improvements along the lot frontage on Laurel Road, full city street improvements extending Walnut Grove Drive about 230 feet along the southwest boundary of the lot for main site access, and extensions of storm, sewer, and water lines along the Walnut Grove Drive extension for on-site service and future development service.

Per the agreement, the applicant will be required to furnish the City with documents and provisions to provide the necessary security and guarantee to complete the public improvements prior to issuance of the Occupancy Permit. Staff recommends that City Council authorize the City Manager to sign an improvement agreement with Trader Joe's on behalf of the City subject to review and approval by the City Attorney.

**FISCAL/RESOURCE IMPACT:** Development review for this project is from development processing fees.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 21, 2006***

### **FIFTH AMENDMENT TO AGREEMENT WITH THE LAW FIRM OF HATCH & PARENT**

#### **RECOMMENDED ACTIONS:**

Authorize the City Manager to execute a Fifth Amendment to Agreement with the law firm of Hatch & Parent.

#### **EXECUTIVE SUMMARY:**

On May 21, 2002, the City contracted with the law firm of Hatch & Parent to provide the City with legal services in connection with the perchlorate land and water contamination. On September 15, 2004, Council approved a contract with Hatch & Parent in the amount of \$100,000. Pursuant to Council approval on March 16, 2005, the contract was increased by \$150,000 to \$250,000. Council approved additional increases on October 19, 2005, to \$325,000 and on February 1, 2006, to \$425,000. As this matter is ongoing, staff is recommending that Council approve the attached Fifth Amendment to Agreement to increase the amount by an additional \$150,000 to \$575,000 to cover Hatch & Parent's continuing representation of the City's interests, as well as ongoing work by experts on this matter, through June 30, 2007.

#### **FISCAL IMPACT**

There are sufficient funds available in the Water Operations fund (650.5710.42230) to cover the requested contract amendment.

**Agenda Item # 5**

**Prepared By:**

\_\_\_\_\_  
**(Title)**

**Submitted By:**

\_\_\_\_\_  
**City Manager**



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *June 21, 2006*

### **APPROVE ONE YEAR EXTENSIONS FOR VARIOUS PUBLIC WORKS MAINTENANCE AGREEMENTS**

#### **RECOMMENDED ACTION(S):**

1. Approve option to extend current Public Works maintenance agreements for one year each for: 1) Striping and Signing, 2) Traffic Signal Maintenance, 3) Tree Pruning
2. Authorize the City Manager to execute the agreement extensions on behalf of the City.

**Agenda Item #6**

**Prepared By:**

**Management Analyst**

**Approved By:**

**Department Director**

**Submitted By:**

**City Manager**

**EXECUTIVE SUMMARY:** In 2004 the City entered into multiple year agreements for tree pruning, traffic signal maintenance, and striping and signing. These agreements end on June 30, 2006.

Staff has been very satisfied with the work of the three contractors and recommends the option to extend each of these agreements for one year based upon the quality of service being provided.

Although rates themselves shall not be increased by more than the consumer price index, we are requesting to increase the scope of the work as follows:

AGREEMENT	CONTRACTOR	FY 04-05 (1 <sup>ST</sup> Year)	FY 05-06 (2 <sup>nd</sup> Year)	FY 06-07 (Extension)
Annual Tree Pruning and Removal	West Coast Arborists, Inc.	\$65,000	\$ 65,000	\$ 75,000
Striping and Signing	Chrisp Company	\$35,000	\$ 35,000	\$ 50,000
Traffic Signal Maintenance	Republic Electric	\$85,000	\$120,000	\$130,000

**FISCAL IMPACT:** Sufficient funding exists in the FY 06/07 Street Operation Budget for these maintenance services.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 21, 2006***

### **ACCEPT BOYS RANCH RESERVOIR #3 PROJECT**

#### **RECOMMENDED ACTION(S):**

1. Accept as complete the Boys Ranch Reservoir #3 Construction Project in the final amount of \$1,615,595.
2. Direct the City Clerk to file the attached Notice of Completion with the County Recorder's office.
3. Authorize additional appropriation of \$150,000 from Funds 651 and 653.

#### **EXECUTIVE SUMMARY:**

The contract for the Boy's Ranch Reservoir #3 Project was awarded to CB&I Constructors, Inc, by the City Council at their December 15, 2004 meeting in the amount of \$1,403,640. The project resulted in the construction of a new one million gallon water storage tank and the associated infrastructure.

Five change orders increased the construction contract by \$211,955. One of those change orders extended the new 16" water main down the hill for an additional cost of \$56,525. Another change order included painting the existing 0.5 million gallon tank #2 for an additional cost of \$53,220. The final change order included additional paving of the access road and will be paid from the water operations fund in the amount of \$19,430.

The work has been completed in accordance with the plans and specifications.

#### **FISCAL/RESOURCE IMPACT:**

This project was budgeted in the 2003-04 Capital Improvements Program budget under New Water Reservoirs #602093 in the amount of \$1,600,000, under funds 651 and 653. An additional \$150,000 was budgeted and encumbered in FY 04/05; however, these funds were disencumbered during the re-budgeting process and now require re-appropriation for the FY 05/06 budget. There is available fund balance in Funds 651 and 653 to split the appropriation evenly. The allocated project construction cost including a 10% contingency was \$1,601,039. The contract was awarded in the amount of \$1,403,640 and the final contract price is \$1,615,595, of which \$19,430 will be funded by the water operations account #650.42231.5710.

**Agenda Item # 7**

**Prepared By:**

**Sr. Project Manager**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**

Record at the request of  
and when recorded mail to:

CITY OF MORGAN HILL  
CITY CLERK  
17555 Peak Avenue  
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION  
CITY OF MORGAN HILL  
BOYS RANCH RESERVOIR #3

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, on the 9th day of January, 2005, did file with the City Clerk of said City, the contract for performing work which was heretofore awarded to CB&I Constructors, Inc. on December 15th, 2004, in accordance with the plans and specifications for said work filed with the City Clerk and approved by the City Council of said City.

That said improvements were substantially completed on June 1<sup>st</sup>, 2006, accepted by the City Council on June 21<sup>st</sup>, 2006, and that the name of the surety on the contractor's bond for labor and materials on said project is Western Surety Company.

That said improvements consisted of the construction and installation of all items of work provided to be done in said contract, all as more particularly described in the plans and specifications therefor approved by the City Council of said City.

Name and address of Owner: City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill, California

Dated: June 14, 2006

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Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk  
City of Morgan Hill, CA  
Date:

**AGENDA BUDGET SCORECARD****FISCAL 2005/06****Adjustment #:**

037

**FUND:****DEPARTMENT:****OBJECT****PROJECT NUMBER:**

651	Water Impact
8110	Water Capital Expansion
86360	Construction
602093	New Well Reservrs/Prpty

**AGENDA DATE:****AGENDA ITEM TITLE:**

06/21/06
Accept Boys Ranch Reservoir #3 Project

	<b>07/01/05 BEGINNING FUND BALANCE</b>	<b>ESTIMATED REVENUES</b>	<b>APPROPRI- ATIONS</b>	<b>06/30/06 ENDING FUND BALANCE</b>
<b>ORIGINAL BUDGET</b>	3,794,191.00	569,076.00	1,786,014.00	2,577,253.00
<b>CUMULATIVE REVISIONS PRIOR TO RECOMMENDED ACTION</b>	(470,257.00)	-	-	(470,257.00)
<b>RECOMMENDED ACTION</b>	-	-	75,000.00	(75,000.00)
<b>RESULT OF RECOMMENDED ACTION</b>	<u>3,323,934.00</u>	<u>569,076.00</u>	<u>1,861,014.00</u>	<u>2,031,996.00</u>

**AGENDA BUDGET SCORECARD****FISCAL 2005/06****Adjustment #:**

038

**FUND:****DEPARTMENT:****OBJECT****PROJECT NUMBER:**

653	Water Capital Project
8120	Water System Replacement
86360	Construction
602093	New Well Reservrs/Prpty

**AGENDA DATE:****AGENDA ITEM TITLE:**

06/21/06
Accept Boys Ranch Reservoir #3 Project

	<b>07/01/05 BEGINNING FUND BALANCE</b>	<b>ESTIMATED REVENUES</b>	<b>APPROPRI- ATIONS</b>	<b>06/30/06 ENDING FUND BALANCE</b>
<b>ORIGINAL BUDGET</b>	3,663,501.00	297,217.00	886,260.00	3,074,458.00
<b>CUMULATIVE REVISIONS PRIOR TO RECOMMENDED ACTION</b>	(266,137.00)	-	40,600.00	(306,737.00)
<b>RECOMMENDED ACTION</b>	-	-	75,000.00	(75,000.00)
<b>RESULT OF RECOMMENDED ACTION</b>	<u>3,397,364.00</u>	<u>297,217.00</u>	<u>1,001,860.00</u>	<u>2,692,721.00</u>





## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: JUNE 21, 2006***

**Agenda Item # 8**

**Prepared By:**

**Public Safety &  
Community Services  
Committee**

**Submitted By:**

**City Manager**

### **ALTERNATIVE DISPATCH STUDY**

**RECOMMENDED ACTION(S):** Determine not to pursue an alternative approach to dispatch at this time.

**EXECUTIVE SUMMARY:** Council asked the Public Safety and Community Services Committee to review the potential for contracting out police dispatch services. We asked Police Chief Bruce Cumming to provide a report on alternative approaches to dispatch so we could evaluate whether a more extensive, and expensive process was appropriate. His report is attached, along with a one-page summary.

With Gilroy unwilling to discuss a Joint Powers Authority approach, the only viable alternative for dispatch is contracting with the Santa Clara County Communications Center, also known as County Com.

City dispatchers have two types of duties: 1) those directly relating to dispatch; and 2) other non-dispatch duties. Police Chief Bruce Cumming's evaluation of dispatch duties found, for every one of them, the current Morgan Hill Police Department's (MHPD) dispatch provides a superior solution. The non-dispatch duties are simply not available from County Com, so they would still have to be staffed by the MHPD.

In terms of cost, the City currently spends about \$1.1 million on dispatch. Chief Cumming estimates, if the County is willing to provide contract services without recovering all County administration costs, the City could expect to pay a minimum of \$0.7 million for dispatch services only. It would also cost about \$0.4 million (based on a ten + year old 1995 estimate) to provide the non-dispatch services, for a total of at least \$1.1 million.

Based on the fact that the MHPD provides a preferred level of dispatch services and there is no cost savings with County Com, the Public Safety and Community Services Committee does not recommend pursuing dispatch alternatives further at this time.

**FISCAL IMPACT:** The opinion of the Public Safety and Community Services Committee is there is no fiscal or service benefit at this time to warrant further consideration of an alternative to City provided emergency dispatch services. The costs of the City's dispatch services are included in the proposed budget and in the five year forecast.

# Dispatch Alternative

<b>Factor</b>	<b>Preferred Alternative (X)</b>	
	<b><u>County Com</u></b>	<b><u>MHPD</u></b>
<b><u>Dispatching Duty Factors</u></b>		
Level of service		X
Amount of control		X
Responsiveness		X
Accuracy of information		X
Customized service (vs. standard)		X
Geographic knowledge of MH		X
Officer familiarity		X
Knowledge of "routine"		X
Courtesy		X
Automated systems familiarity		X
Equipment knowledge for MH needs		X
Report writing compatibility		X
<b><u>Non-Dispatch Duty</u></b>		
Office hours + after hours service	N/A (Not available)	
Missing persons, etc. report taking	N/A	
Vehicle release	N/A	
Female prisoner assist	N/A	
EMS/EOC duties	N/A	
SWAT/HNT role	N/A	
DB maintenance	N/A	
CLET/DOJ entry requirements	N/A	
Public Works dispatch	N/A	
<b><u>COST</u></b>		
Dispatch	\$700K	
Non-dispatch	<u>\$400K</u> (1995 est.)	
Total	\$1.1M+++	\$1.1M

**Recommendation:** Not worth further study at this time.



## **CITY OF MORGAN HILL POLICE DEPARTMENT**

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### **INTEROFFICE MEMORANDUM**

**Date:** May 18, 2006  
**To:** J. Edward Tewes, City Manager  
**From:** Bruce Cumming, Police Chief  
**Subject:** Dispatch Services

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As part of the Police Department's work plan for FY 2005-2006, I have conducted preliminary research relative to Dispatch Services to determine the feasibility of changing our current system and contracting or partnering with another public safety entity. The purpose for studying this concept is a belief that savings in expenditures would be realized as a result of using a different model than currently exists. A concept was last studied by former Police Chief Steve Schwab in 1995 when he looked at the idea of contracting dispatch with the County of Santa Clara. The conclusion at that time was that there would be no savings in contracting and that it would likely cost more for Morgan Hill to contract with the County. No other dispatch studies have been conducted since that time. I have reached similar conclusions relative to contracting with the County of Santa Clara as did Chief Schwab that cost savings would be insignificant and could even be higher than what is being spent currently and service levels would likely be lower. I have also examined the concept of partnering with another agency or agencies but have not established whether cost savings or the same or improved service levels would be realized as no partners have been identified.

#### **CURRENT SERVICES:**

Dispatch Services currently operates the city's Public Answering Point 24 hours a day, seven days a week and is staffed by 9.5 public safety dispatchers including a supervisor. The 2005-06 budget for dispatch services is \$1,082,581, up from \$ 599,651 in FY 1994-95. This division is responsible for a wide range of duties which are listed below:

##### Police Dispatching:

All 911 emergency calls for police, fire and medical services are answered and dispatched. When received, fire and medical calls are transferred to the Santa Clara County Communications Center in San Jose and monitored by our dispatchers in the event that it becomes necessary to send police officers to the incident. In addition, all lower priority

requests for police or animal control services which are received via six 24 hour, seven digit phone numbers are answered in the communications center and are dispatched to officers in the field. Morgan Hill's dispatch center, located in the Police Department is a modern, state-of-the art, fully computerized facility about two years old. It is staffed by 8.5 dispatchers plus a dispatch supervisor which is approximately the same number of personnel who worked in the center in 1995 (9) when the City's population was 27,000. Annually, public safety dispatchers answer or initiate about 111,000 telephone calls of all types, up from 43,500 in 1995. In addition, approximately 9000 911 calls were received in 2005 including 5000 calls from cell phones and 4000 conventional hard wire calls. No 911 call figures are available for 1995. Data is only available back to 1999 and that figure is 5238 calls. Moreover, dispatchers handle approximately 32,000 CAD events per year, up from 24,000 in 1995. A CAD event is an incident that requires a dispatcher to enter information into the computer aided dispatch system. An event could be as simple as an officer making a vehicle stop or as complicated as information related to an armed robbery, burglary or other serious crime.

#### Police Reporting:

Public Safety Dispatchers take reports by phone for incidents that do not require an immediate police officer response. These include missing person reports under certain circumstances and minor crime reports where no suspect is known or the report is simply for insurance purposes. These reports are completed by phone and mail utilizing our computer aided dispatch system. This is an essential function to maintain the police department's current level of service as it allows police officers to perform other more critical work and allows victims to report the crime according to their own schedule. Morgan Hill Dispatchers handled 566 reports of this type in 2005. Most police departments in Santa Clara County do not provide phone or mail out reporting services. They typically send police officers or non-sworn support staff to investigate minor crimes.

Dispatchers also handle critical and time consuming missing person reports. A typical missing person case can take as long as 45 minutes to gather the necessary information, enter the subject in the missing persons database and process the report paperwork. This process is a unique, streamlined arrangement unlike any other dispatch center in Santa Clara County. Without this work performed by the dispatchers patrol officers would have to take entire responsibility for these reports. In 2005, Morgan Hill dispatchers took 118 missing person reports. Additionally, when the missing person is located by detectives, the dispatcher must remove the individual from the missing persons system.

#### After Hours Customer Service:

Currently, the Records Division at the Police Department is staffed by two full time and three part time employees (3.5 FTE). Due to the size of the unit, office hours are provided Monday through Friday 8 AM to 5:30 PM. Dispatchers provide after hours service for citizens who come to the police station for assistance. The dispatch center also provides after hours service for the water department by fielding calls from customers who have had their utility shut off or who are experiencing broken pipes etc. This information is relayed to the on-call public works employees to either resolve the problem over the phone or dispatch public works employees to the location of the problem.

The department is also required to provide staffing to release stored/impounded vehicles 24

hours a day, seven days a week. Dispatchers currently provide that service when citizens contact them via the outside intercom system and records personnel are not on duty.

#### Prisoner Booking Assistance:

Since they are on duty and available 24 hours a day, female dispatchers assist male police officers in the booking and searching of female prisoners that are detained in our holding facility. This procedure is required by Department of Corrections regulations. Currently, the police department has no available female officers in the patrol division.

#### Police Facility Surveillance:

Dispatchers are also responsible for providing surveillance of the police facility.

This includes audio and video monitoring of the department's booking area and jail cells and video surveillance of the building exterior and parking areas. They also act as the first point of contact for citizens who come to the police building seeking service after hours.

#### Office of Emergency Services:

Dispatchers play a vital role in activation and successful function of the Emergency Operations Center. In the event of a catastrophic disaster they would be asked to conduct the call out procedure and assist in communicating initial public alerts. They would also provide support staff for the records management portion of the OES.

#### Hostage Negotiations Team:

Dispatchers also play a supplementary role in the SWAT/HNT teams as either a team member or as a tactical dispatcher. Due to the skill set they bring and the fact that MHPD has a small team, every member is relied upon during a critical incident.

#### Data Management:

When not occupied by other duties, dispatchers maintain certain automated files relating to databases used by all Department personnel. These include updating of emergency contact files for local businesses and alarm owners, geo file database entries for new developments as well as performing other data entry duties normally assigned to the Records Division.

#### California Law Enforcement Telecommunications System:

The police department is required according to law to confirm that we physically possess an arrest warrant for persons detained on those warrants anywhere in the state. A computer "abstract" of that warrant must be prepared and transmitted to the arresting agency in order for that agency to physically arrest the subject in question.

The department is also required to enter stolen vehicles, stolen property, missing persons, and registrants within very tight time constraints that are enforced by the Department of Justice. Our dispatchers perform these duties as we are required by DOJ to provide this service 24 hours a day, seven days a week.

### Public Works Dispatching:

During critical situations, requests for service for public works personnel are received and dispatched through the communications center. Many times this occurs concurrently with dispatching other emergency services. In addition, public works personnel are dispatched by the communications center during evening and weekend hours. Police Dispatchers also monitor the city's wells, water tanks and sewer lift stations via the SCADA (Supervisory Control and Data Acquisition) system installed in the dispatch center. Morgan Hill dispatchers handled 525 calls for service after hours for the Public Works Department in 2005.

## **DISPATCH ALTERNATIVES TO THE CURRENT SYSTEM**

There are really only two realistic alternatives to the current system: 1.) Contract dispatch services with another public safety agency, or 2.) Partner with another public safety agency or agencies through a mutual agreement, joint powers authority or some other configuration where each participant is an equal or proportional partner. In reviewing these alternatives I believe available options, levels of service and cost must be considered and evaluated.

### Options and Levels of Service

Currently there are no realistic options available for Morgan Hill to contract with another public safety agency. Santa Clara County Communications could provide dispatching services but I do not believe the service would be acceptable to Morgan Hill residents or to the police department. No other city in Santa Clara County contracts with the County although some did at one time. Morgan Hill and Gilroy contracted with Santa Clara County until approximately 1985 but both dropped their contracts and started their own dispatch centers citing poor service, lack of control and responsiveness to solving problems and providing accurate information. Other cities including San Jose, Campbell and Los Gatos were also unhappy with County service and started their own dispatch centers about the same time. In addition, County Communications would not provide the same level of service to residents or the police department as currently exists. Larger dispatch centers typically provide a standardized rather than more customized service that is tailored to the community. Moreover, dispatchers often do not know streets or locations as well as local dispatchers and do not have as firm relationships with the officers they are working with as do smaller centers. This is an important but sometimes less quantifiable employee safety consideration for police staff that should not be minimized.

As an example, dispatchers become familiar with officer's work habits. They know the voices of their teams, and are able to pick up on subtle clues in voice inflection that might indicate an officer safety problem sometimes even before the officer actually asks for assistance. An officer may find himself in a physical altercation, unable to get to his radio to request backup only to find his backup already arriving due to the way his voice sounded when he called out the initial contact with the subject. Dispatchers in smaller departments are also able to become familiar with their teams and their routines. Where they like to stop in the field to write reports or observe activity. In the event that an officer cannot respond to a dispatcher's call, the dispatcher has a sense of where to start looking for that officer. Morgan Hill officers (as well as residents) are provided and have come to expect a very high level of service relative to courtesy, response and the automated systems available in our

dispatch center. When an officer requests information on a subject or vehicle, those responses are provided immediately and without delay. DMV records, including stolen vehicle information, warrants, probation and in-house data searches are provided within seconds of the request. This is not always the case in larger dispatch centers. And, I believe as a small part of a large communications center Morgan Hill would have great difficulty in effecting change to meet the needs of residents and police department staff alike.

An additional factor to consider is the fact that Santa Clara County Dispatch has different equipment than Morgan Hill Police. Our Computer Aided Dispatch System, Records Management System, Mobile Data System and our Booking system are all interlinked. What this means for day to day operations is invaluable in terms of the retrieval of the statistical data necessary to operate a first class police department. Management has instantaneous access to calls for service data including 911 and radio traffic recordings. In larger centers where we have limited input and control information access is often slow, sometimes inaccurate. This inhibits quick response to complaints from citizens and City staff. In addition, resolving employee behavior or mistakes is much more difficult in a larger center where the City has limited control.

And finally, our report writing system is interlinked with our dispatch system and as noted that equipment is very different than what currently exists at County Communications. In report writing, the officer writing his report simply enters his case number and the system updates with all the information captured at the dispatch workstation. The officer has the option at that point to accept or decline the data or update it as needed. The time and date and location of the call, the event number, persons involved and vehicles involved are all easily transferred into the report. Prior to officers having the ability to directly enter reports into the records management system, the task of data entry was assigned to a limited number of support staff. It was a labor intensive process that did not work well and the department fell behind in its work more than one year. FBI Uniform Crime Reports had to be compiled by hand. Detectives could not retrieve reports immediately; they had to wait for records to provide a hard copy which could delay their investigations. With our current system, all of these tasks mentioned are completed in a timely and effective manner. Information flow is vibrant and immediate.

Contracting with another public safety agency such as San Jose or Gilroy Police could be examined however many of the same issues as described above might be an issue particularly with San Jose. I have had a general discussion about dispatching with the Gilroy Police Chief and he indicated that he is not interested at this time because they are building a new police facility and that is consuming most of his time. He said once the facility is built he might be interesting in talking about mutual dispatching ideas. No other agency in Santa Clara County (other than Gilroy) has been contacted or shown any interest in having Morgan Hill contract with them for dispatching.

Another conceptual option which could be examined is the idea of partnering with another public safety agency or agencies. Partnering with others as part of joint powers agreement or similar configuration where members are equal or proportional partners could make more sense than a simple contract with another agency. The reasons for this are fairly clear. Members of a combined JPA-like dispatch center have greater control of service levels, personnel matters, accountability, access to data and cost. I have had no discussions with any

public safety agencies in Santa Clara County about this concept and don't know if any agency is interested in partnering at this time.

### Costs

Although no detailed costs estimates have been examined or have been included as part of this report a very rough estimate to provide dispatching services by the County of Santa Clara was at least \$700,000 per year. It should be understood that this estimate is nearly one year old, is a broad estimate for discussion purposes only, and does not take any workload or performance measures into consideration. And, no detailed estimate has been studied or submitted. Moreover, this estimate does not include funding to replace the work that would not be performed by the County but would still have to be continued in Morgan Hill. A more detailed review would have to be performed to determine costs associated with those duties outlined in this report under "current services" such as Department of Justice requirements, prisoner booking guidelines, police reporting, after hours service and work associated with Public Works. To continue these services to remain in compliance and not lower service levels it would be necessary to retain some dispatch personnel or hire an unknown number of less costly personnel to address these duties most of which are required 24 hours per day, seven days a week. In 1995 Chief Schwab estimated that he would have to retain at least five positions. At that time he estimated the cost at \$350,000 to \$450,000 annually. Using five positions as an estimate currently to meet this workload would require personnel expenditures in the amount of \$400,000 annually. And finally, additional unknown costs would have to be studied relative to moving, changing, abandoning or acquiring equipment and systems. No cost estimates have been examined relative to partnering with another agency or agencies because no partners have been identified.

Should the City wish to move forward with further studies of these conceptual ideas then I would ask for additional direction to enter into more formal discussions with potential contractors or partners. And, if it was determined that this concept might be viable it would be necessary to hire a skilled consultant to carefully study the issue in more detail as altering the current dispatch model would require significant personnel, procedural and technological changes to a critical City function.





***CITY COUNCIL STAFF REPORT***  
***MEETING DATE: JUNE 21, 2006***

**AUTHORIZATION TO EXTEND ARCHITECTURAL  
CONSULTANT AGREEMENT FOR NEW MORGAN HILL  
LIBRARY**

**RECOMMENDED ACTION:**

1. Authorize City Manager to amend Noll & Tam's Consultant Agreement for a term extension until August 31, 2007.

**EXECUTIVE SUMMARY:**

The City of Morgan Hill entered into a consultant agreement for the New Morgan Hill Library with Noll and Tam Architects on July 25, 2001. The term of the original contract will expire July 31, 2006.

Staff is requesting authorization to extend Noll and Tam's term of agreement until August 31, 2007. Noll & Tam has agreed to the term extension without any additional compensation. At that time it is projected that the project will no longer require the architects services.

**FISCAL IMPACT:**

There is no fiscal impact to the project. The increase duration of the contract will not affect the lump sum amount of the agreement.

**Agenda Item # 9**

**Prepared By:**

**Sr. Project Manager**

**Approved By:**

**BAHS Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: JUNE 21, 2006***

**Agenda Item # 10**

**Prepared & Submitted  
By:**

**City Manager**

### **EXTENSION OF FIRE SERVICES CONTRACT**

**RECOMMENDED ACTION(S):** Authorize the City Manager to execute an amendment to the Fire Services Contract with the Santa Clara County Fire District to extend services through September 30, 2009.

**EXECUTIVE SUMMARY:** Since 1995, the City has contracted with the Santa Clara County Fire District to provide emergency response and fire prevention activities. The current contract was negotiated in 2004 and expires September 30, 2007.

Compensation to County Fire is established at a set price which is adjusted each year based on a formula taking into account cost of living, adjustments in labor costs and increases in the City's property tax base. The maximum annual adjustment under the contract is 7%.

Recently, the City of Morgan Hill, the City of Gilroy and the South Valley Fire District commissioned a study by a third party to evaluate options for transitioning to a coordinated and integrated system of fire and emergency medical services for South County. The report is being reviewed by each of the agencies and may provide specific approaches to be considered. However, the nature of the recommendations and the time needed to plan for implementation suggest the need to extend the current fire services contract.

Both the third party study and an independent audit of the County Fire District highlighted the value of the current fire services contract.

The Council's Public Safety and Community Services Committee has reviewed the issue and also recommends the contract extension to September 2009.

**FISCAL IMPACT:** The proposed budget for FY 07 is \$4.6 million. Future amounts will be adjusted in accordance with a formula, but not to exceed 7% per year.

## FIRST AMENDMENT TO FIRE AND EMERGENCY MEDICAL SERVICES AGREEMENT

THIS AGREEMENT is made this \_\_\_\_ day of \_\_\_\_\_, 2006, by the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT ("DISTRICT").

### RECITALS

The following recitals are a substantive part of this Agreement:

1. This Agreement is entered into based upon City of Morgan Hill City Council approval on \_\_\_\_\_ and the Santa Clara County Board of Supervisors approval on \_\_\_\_\_.
2. CITY and DISTRICT desire to amend the FIRE AND EMERGENCY MEDICAL SERVICES AGREEMENT retroactively effective as of July 1, 2004, and approved by the Morgan Hill City Council on June 15, 2005, and the Santa Clara County Board of Supervisors on June 7, 2005, attached as Exhibit "A" to this Agreement and incorporated herein.

### AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. Term and Condition of Original Agreement. All terms and conditions contained in Exhibit "A" are to remain in full force and effect with the sole exception of the terms listed below:

9.01 Term of Agreement. The term of this Agreement retroactively commenced on July 1, 2004, and continues through September 30, 2009.

10.04 Increases in the Cost of Services.

D. The maximum increase that can be applied for the service period of October 1, 2005 through September 30, 2006 is 5%. The maximum annual increase that can be applied for the service period of October 1, 2006 through September 30, 2009 is 7%.

SANTA CLARA COUNTY CENTRAL FIRE  
PROTECTION DISTRICT

APPROVED AS TO FORM AND LEGALITY:

By: \_\_\_\_\_  
Date: \_\_\_\_\_  
Benjamin F. Lopes III, Fire Chief

By: \_\_\_\_\_  
Date: \_\_\_\_\_  
Leslie Orta, Deputy County Counsel

CITY OF MORGAN HILL

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Date: \_\_\_\_\_  
J. Edward Tewes, City Manager

By: \_\_\_\_\_  
Date: \_\_\_\_\_  
Janet C. Kern, City Attorney

ATTEST:

APPROVED:

By: \_\_\_\_\_  
Date: \_\_\_\_\_  
Irma Torrez, City Clerk

By: \_\_\_\_\_  
Date: \_\_\_\_\_  
Jack Dilles, Risk Manager



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *June 21, 2006*

**Agenda Item # 11**

**Prepared By:**

\_\_\_\_\_  
**HR Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

### **TITLE      APPROVAL OF RESOLUTION PROVIDING COMPENSATION FOR CITY OF MORGAN HILL MANAGEMENT AND CONFIDENTIAL EMPLOYEES**

#### **RECOMMENDED ACTIONS:**

1.      Adopt Management Resolution.

#### **EXECUTIVE SUMMARY:**

During fiscal year 2005-06, management and confidential employees did not receive any increase in wages. However, current MOUs provide for an increase for the City's employees in the AFSCME and CSOA bargaining units at the beginning of 2006-07. At this time, it is appropriate to adjust the compensation for management, confidential and unrepresented employees as well. The attached management resolution proposes salary and benefits adjustments for that group of employees. A summary of the new components of the management resolution is below:

- Included the Amendment to the previous Management Resolution adopted on May 18, 2005 to change the salary range for the position of Utility Systems Manager and to change the title and salary range of the Police Support Services Manager
- Included the Recreation and Community Services Director position approved by City Council on October 5, 2005
- Included the Senior Planner Special Assignment salary range approved by City Council on October 19, 2005
- Included the retirement benefit of 2.5% @ 55 approved by City Council on January 18, 2006 to be effective June 18, 2006 for miscellaneous employees
- Included the Senior BAHs Coordinator position approved by City Council on March 22, 2006.
- Increase salary ranges by three-and-one-half percent (3.5%) effective June 18, 2006
- Eliminated the Human Resources Supervisor and Recreation and Community Services Manager positions
- Included authority for the City Manager to maintain a manager's salary at its current rate when the pay range is increased
- Included authority for the City Manager to negotiate establishing sick leave and vacation accrual banks for new employees at time of hire
- Increased the sell-back of vacation and/or administrative leave from 80 to 120 hours
- Included the Office of emergency Services (OES) Coordinator position recommended in the 2006-07 budget

The total compensation package offered to City of Morgan Hill employees is fiscally prudent and is competitive with that of other local government employers in this region, and it acknowledges the hard work of City management and confidential staff.

#### **FISCAL IMPACT:**

The fiscal impact of this resolution falls within the City Council's parameters.

## RESOLUTION NO.

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADOPTING SELECTED SALARY RANGES AND JOB TITLES FOR MANAGEMENT, PROFESSIONAL AND CONFIDENTIAL EMPLOYEES. THIS RESOLUTION RESCINDS RESOLUTION 5872.**

WHEREAS, the City Manager has presented to the City Council of the City of Morgan Hill a recommended set of salary ranges and benefits for the Management, Professional and Confidential employees; and

WHEREAS, the City Council of the City of Morgan Hill has reviewed said recommendations;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morgan Hill as follows:

#### **SECTION 1 — SALARY RANGES**

- A. These separate salary ranges are hereby established effective June 18, 2006 and reflect a three-and-one-half percent (3.5%) increase over the ranges established March 27, 2005.

Group 1-A and 1-B base salary ranges include the 7% employee or 9% for Public Safety Employees) PERS contribution which is deducted from payroll.

Group 1-C base salary ranges do not include the 7% employee PERS contribution, however, the City will report the value of employer paid member contributions to CalPERS as additional compensation.

<b>JOB CLASSIFICATION</b>	<b>SALARY RANGE</b>		
	<b>Bottom</b>	<b>Top</b>	<b>Performance Pay</b>
<b>Executive Management - Group 1-A</b>			
Chief of Police	\$9,780	\$12,230	\$12,535
Director of Business Assistance & Housing Services	\$9,600	\$12,005	\$12,300
Director of Community Development	\$9,600	\$12,005	\$12,300
Director of Finance	\$9,600	\$12,005	\$12,300
Director of Public Works/City Engineer	\$9,600	\$12,005	\$12,300
Human Resources Director	\$9,600	\$12,005	\$12,300
Recreation and Community Services Director	\$9,600	\$12,005	\$12,300
Assistant to the City Manager	\$8,280	\$10,350	\$10,615
Council Services and Records Manager	\$7,315	\$9,145	\$9,370
<b>Middle Management - Group 1-B</b>			
Deputy Director of Public Works	\$8,280	\$10,350	\$10,615
Program Administrator	\$8,280	\$10,350	\$10,615
Police Commander	\$7,865	\$9,835	\$10,085

Assistant Director of Finance	\$7,315	\$9,145	\$9,370
Chief Building Official	\$7,315	\$9,145	\$9,370
Planning Manager	\$7,315	\$9,145	\$9,370
Senior Civil Engineer	\$7,315	\$9,145	\$9,370
Senior Project Manager/Community Buildings	\$7,315	\$9,145	\$9,370
Senior Project Manager/Public Works	\$7,315	\$9,145	\$9,370
Police Support Services Manager	\$6,775	\$8,470	\$8,685
Utility Systems Manager	\$6,775	\$8,470	\$8,685
Budget Manager	\$6,305	\$7,880	\$8,080
Business Assistance and Housing Services Manager	\$6,305	\$7,880	\$8,080
Senior Planner*	\$6,305	\$7,880	\$8,080
Project Manager	\$6,305	\$7,880	\$8,080
Sr. BAHS Coordinator	\$5,705	\$6,935	\$7,275
Recreation Supervisor	\$5,310	\$6,630	\$6,795
Office of Emergency Services (OES) Coordinator	\$4,840	\$6,050	\$6,205
Secretary to the City Manager	\$4,575	\$5,720	\$5,865
<b>Confidential Non-Exempt Employees - Group 1-C</b>	<b>Bottom</b>	<b>Top</b>	<b>Performance Pay</b>
Administrative Analyst	\$4,840	\$6,050	\$6,205
Secretary to the City Attorney	\$4,575	\$5,720	\$5,865
Accounting Technician	\$4,055	\$5,070	\$5,190
Human Resources Assistant	\$3,080	\$3,855	\$3,955

- \* The Senior Planner job description incorporates the ability to add special assignments to the Senior Planner position to manage considerably more responsible and/or more complex duties. When such duties are assigned to the Sr. Planner position a salary enhancement of ten percent (10%) is added to the salary range.

## **SECTION 2 — ESTABLISHMENT OF COMPENSATION GROUPS 1-A-B-C**

- A. The City Manager will establish the monthly compensation for the classifications in Section 1-A within the prescribed ranges and may adjust or maintain the level of compensation within the prescribed range. The City Manager has the authority to increase the monthly compensation for employees in Section 1-A by a maximum of 10% each fiscal year based on each executive manager's performance and the authority to hold a manager's monthly pay rate at its current rate.
- B. Each Department Director will recommend to the City Manager the proposed monthly salary to be paid to each of the employees whose classification appears in Section 1-B or 1-C. Upon approval of the City Manager, the monthly salary will be set within the prescribed range for each classification. The City Manager has the authority to increase the monthly compensation for employees in Section 1-B and C, by a maximum of 10% each fiscal year based on each individual employee's performance.

- C. For employees listed in Sections 1-A, 1-B, and 1-C, the last 2.5% of the salary range has been designated as performance bonus pay. Employees are eligible to have their base salary set in the last 2.5% of their respective range provided they have progressed to the end of their salary range and receive and maintain above average performance as identified by their performance evaluation. The criteria for an above average performance evaluation are as follows: at least half of the rating factors must be scored at the "exceeds expectations" level and no rating factor can be scored at the "not satisfactory" level.
- D. The City will contribute to a City-sponsored IRS 457 deferred compensation program of the employee's choice (ICMA or Hartford) according to the following schedule:
- 3% of base salary per pay period for employees who have been employed with the City for up to four years
  - 4% of base salary per pay period for employees who have been employed with the City from four to eight years
  - 5% of base salary per pay period for employees who have been employed with the City for over eight years

**SECTION 3 — CONTRIBUTION TO THE PERS RETIREMENT SYSTEM, GROUPS 1-A, B, C**

- A. Non-Safety employees listed in Sections 1-A, 1-B, and 1-C will receive PERS retirement benefits under the 2% at 55 plan. Effective June 18, 2006 the City will offer the PERS 2.5% @ 55 retirement program for non-safety employees. Employees will pay the additional 1% employee contribution rate for the 2.5% @ 55 retirement program. Should the employer contribution rate increase above the 14.753% as stated in the CalPERS Actuarial Statement dated June 14, 2005, AFSCME members will pay 25% of the increase.
- B. Safety employees listed in Sections 1-A and 1-B, will receive PERS retirement benefits under the 3% at 50 plan.

**SECTION 4 — HEALTH CARE CONTRIBUTIONS AND IRS 125 PLAN, GROUPS 1-A, B, C**

**A. City Health Insurance Contributions**

For family health care allowance, City will pay 90% of the total cost of the lowest cost PEMHCA medical plan, plus dental

For employee plus one dependent, City will pay 96.5% of the total cost of the lowest cost PEMHCA medical plan, plus dental

At the time when the lowest cost medical plan plus dental coverage exceeds the \$610 health care allowance, the City shall provide one-hundred percent (100%) of the lowest cost medical health plan plus dental.

Medical and/or dental in-lieu pay will be \$610 per month.

- B. Employees listed in Sections 1-A, B and C who do not use their full health allowance may use their surplus amount for optional benefits such as cancer or heart/stroke insurance premiums, vision, long term care insurance, or for participating in medical reimbursement or dependent care expense accounts. If employees do not use their surplus for optional benefits, it will be added to their salary as taxable income.
- C. The City will continue to offer an IRS 125 program.

## **SECTION 5 – GENERAL BENEFIT PROVISIONS, GROUPS 1-A, B AND C**

The City will comply with the requirements of the City Personnel Rules and Regulations and the Fair Labor Standards Act governing the use of taking and reporting time off work for management employees.

### **A. Sick Leave Accrual**

1. Sick Leave credit for employees will be accumulated on the basis of eight hours of sick leave per month. (96 hours per year)
2. The City will, at the end of each calendar year, pay each employee twenty-five (25%) percent of the unused sick leave earned that year unless the employee requests not to receive such a payment.
3. The balance of the unused sick leave will then be accumulated on an unlimited basis.
4. Upon retirement, 100% of the employee's unused sick leave balance will be credited to the employee's retirement eligibility. This amount would then be converted into time in service and added to the employee's retirement eligibility. (Reference - City contract with PERS, Section 20862.8)
5. Each employee may take 16 hours of personal leave time during the fiscal year which is charged against the current year's sick leave accrual.
6. The City Manager may negotiate establishing a leave "bank" with new employees at time of hire.



**B. Holidays**

1. The City will grant the following paid holidays to employees listed in Sections 1-A, B and C:

New Year's Day  
Martin Luther King, Jr. Day  
President's Day  
Cesar Chavez Day  
Memorial Day  
Independence Day  
Labor Day  
Thanksgiving Day  
Day after Thanksgiving  
Christmas Eve  
Christmas Day  
One-half day holiday to be observed on either the half-day preceding the Christmas Eve or the New Year's Day holiday  
Two floating holidays (These two floating holidays must be used during the fiscal year)

Holidays are worth eight (8) hours of time off; employees on alternate work schedules must use additional leave balances to receive full pay on a holiday.

2. With the approval of the employee's supervisor, employees may "float" holidays to another day within the same fiscal year provided they work on the holiday.

**C. Vacation Leave Accrual**

1. Each employee listed in Sections 1-A, B and C will be credited vacation on the basis of 120 hours per year for the first five (5) years of City service. After five (5) years of service, vacation will be credited on the basis of 160 hours per year.
2. The maximum accumulation of vacation will be no more than that earned for two years.
3. Additional vacation accrual will not be provided until the employee's vacation balance drops below the maximum accrual limit.
4. Employees listed in Sections 1-A, B and C may cash out up to 120 hours of accrued vacation or administrative leave per fiscal year.
5. The City Manager may negotiate vacation accrual rates and/or establishing a leave "bank" with new employees at time of hire.

**D. Administrative Leave, Groups 1-A and 1-B and 1-C**

1. Employees listed in Sections 1-A and 1-B receive and may use up to 72 hours administrative leave with pay per fiscal year.
2. Administrative leave time for employees in groups 1-A and B will be available for one additional year if not used in the fiscal year that it was initially available. If, however, the administrative leave time that was carried over to the following fiscal year is not used during the second year, it will be lost at the end of the second fiscal year. In effect, the maximum amount of administrative leave time that may be available to an employee at any given time is 144 hours.
3. Per Section 5.C.4, employees may cash out up to 120 hours of accrued administrative leave per fiscal year.

**E. Professional Development**

1. It shall be the philosophy of the City to encourage employees to attend classes, seminars, conferences, etc. which will enable the employee to develop professionally. Such attendance must be approved by the Department Director and the City Manager. The City may request employees who complete such a course to report or train other employees in the skills they have attained.
2. **Tuition Reimbursement Program**  
Employees listed in Sections 1-A, B and C are eligible to receive tuition reimbursement of up to \$1000 per fiscal year for the cost of books and tuition for classes or courses beneficial to the employee's career development. All classes must be approved in advance by the Department Director or City Manager. Reimbursement will take place upon a successful completion or passing of the course.
3. **Membership Dues** — For employees listed in Sections 1-A and 1-B, the City shall provide a personal membership dues reimbursement of up to \$250.00 per fiscal year for costs associated with joining and participating in Morgan Hill community service organizations such as Rotary, Kiwanis, or Chamber of Commerce. Reimbursement of membership dues for community service organizations other than those listed above requires the prior approval of the City Manager.

**F. Life and Disability Insurance**

1. The City shall pay the premiums for short-term disability, long-term disability and life insurance plans.
  - a. Life insurance levels shall be as follows for the employees listed in Section 1:

Section 1-A	\$ 250,000
Section 1-B	\$ 150,000
Section 1-C	\$ 75,000
  - b. Short-term disability coverage for employees in Sections 1-A, B and C shall be at the maximum rate of \$925 per week based on 66 2/3% of the actual weekly salary after an eight-day elimination period.

- c. Long-term disability coverage for employees in Sections 1-A, B and C shall be at the maximum rate of \$6,000.00 per month based on 66 2/3% of the actual monthly salary after a 60-day elimination period.

**G. Retirement Medical Plan**

1. Employees listed in Sections 1-A, B, and C may continue enrollment in the City's medical plans upon retirement. Such enrollment will be contingent upon the employee meeting the requirements of the medical plan and paying the monthly premium to PERS at the employee's expense. It will be the employee's responsibility to make sure the insurance premium is paid to PERS before the due date. Failure to do so will result in the employee being terminated from their medical coverage.

**H. Safety Employee Uniform Allowance**

Safety employees in Groups 1-A and B will be eligible for the following uniform allowance:

Chief of Police and Police Lieutenant	\$980.00
Police Support Services Manager	\$630.00

**I. Work Schedule**

The City Manager will establish the standard work schedule for employees listed in Sections 1-A, B and C. Based on the needs of the City, the City Manager may, at his/her discretion, change the work schedules of employees at any time.

**SECTION 6 — EFFECTIVE DATE**

This resolution shall be effective June 18, 2006. Compensation shall be made available to only those employees covered by this section who are still employed as a full-time management or confidential employee with the City as of the effective date of this agreement.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 21<sup>st</sup> Day of June, 2006 by the following vote.

**AYES:**           **COUNCIL MEMBERS:**  
**NOES:**       **COUNCIL MEMBERS:**  
**ABSTAIN:**   **COUNCIL MEMBERS:**  
**ABSENT:**     **COUNCIL MEMBERS:**

**☞ CERTIFICATION ☞**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,**  
do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on June 21, 2006.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 21, 2006***

**Agenda Item #12**

**Prepared By:**

**Deputy City Clerk**

**Approved By:**

**City Clerk**

**Submitted By:**

**City Manager**

### **ADOPT ORDINANCE NO. 1780, NEW SERIES**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING TITLE I, CHAPTER 2, SECTIONS 2.04.020 AND 2.04.030 OF THE MORGAN HILL MUNICIPAL CODE TO ADJUST THE SALARIES OF COUNCIL MEMBERS AND THE MAYOR**

### **RECOMMENDED ACTION(S):**

**Waive** the Reading, and **Adopt** Ordinance No. 1780, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall Be Determined to Have Been Read by Title and Further Reading Waived.

### **EXECUTIVE SUMMARY:**

On June 7, 2006, the City Council Introduced Ordinance No. 1780, New Series, by the Following Roll Call Vote: AYES: Carr, Grzan, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Kennedy.

### **FISCAL IMPACT:**

City Council Member pay adjustments would be paid from the General Fund and would not affect the current fiscal year 2005/06 budget. The proposed increases would amount to a total of \$1,032 per year for the Mayor and four Council Members combined, and would be effective late in calendar year 2006 following the November 2006 election.

**ORDINANCE NO. 1780, NEW SERIES**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING TITLE I, CHAPTER 2, SECTIONS 2.04.020 AND 2.04.030 OF THE MORGAN HILL MUNICIPAL CODE TO ADJUST THE SALARIES OF COUNCIL MEMBERS AND THE MAYOR.**

**THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAIN AS FOLLOWS:**

**SECTION 1:** Amending Title I, Chapter 2, Section 2.04.020 of the Municipal Code.

The present Section 2.04.020 of Chapter 2 of Title I of the Municipal Code is amended to read as follows:

“Section 2.04.020      Salary of council members.

Pursuant to the provisions of Section 36516 of the Government Code, each of the members of the city council shall receive a monthly salary of three hundred thirteen dollars payable at the same intervals as other city employees are paid. This amount was calculated by first taking the existing monthly city councilmember salary of \$300 and increasing this amount by the 2.5% “change in the consumer price index for urban wage earners and clerical workers” for the San Francisco-Oakland-San Jose, California local area for the year ended December 2004, and then by increasing that product by the 1.7% “change in the consumer price index for urban wage earners and clerical workers” for the San Francisco-Oakland-San Jose, California local area for the year ended December 2005.

Pursuant to Section 36516.5 of the Government Code, this section shall take effect whenever one or more members of the city council begins a new term of office, after the adoption of the ordinance codified in this section.

**SECTION 2.** Amending Title I, Chapter 2, Section 2.04.030 of the Municipal Code.

The present Section 2.04.030 of Chapter 2 of Title I of the Municipal Code is amended to read as follows:

“Section 2.04.030      Salary of the mayor.

Pursuant to the provisions of Section 36516.1 of the Government Code, which permits a mayor elected pursuant to Sections 34900 to 34904, inclusive, of the Government Code to be provided with compensation in addition to that which he or she receives as a councilmember, the mayor of the city shall receive a monthly salary of five hundred twenty-one dollars payable at the same intervals as other city employees are paid. This amount was calculated by taking the existing monthly incremental mayoral salary of \$500 and increasing this amount by the 2.5% “change in the consumer price index for urban wage earners and clerical workers” for the year ended December 2004, and then by increasing that product by the 1.7% “change in the consumer price index for urban wage earners and clerical workers” for the year ended December 2005. This salary is to be paid in addition to the amount specified in Section 2.04.020 (Salary of council members).

Pursuant to Section 36516.5 of the Government Code, this section shall take effect whenever one or more members of the city council begins a new term of office, after the adoption of the ordinance codified in this section.

**SECTION 4.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

**SECTION 5.** Effective Date Publication. This ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 7<sup>th</sup> Day of June 2006, and was finally adopted at a regular meeting of said Council on the Day of June 2006, and said ordinance was duly passed and adopted in accordance with law by the following vote:

**AYES:**           **COUNCIL MEMBERS:**  
**NOES:**          **COUNCIL MEMBERS:**  
**ABSTAIN:**      **COUNCIL MEMBERS:**  
**ABSENT:**       **COUNCIL MEMBERS:**

**ATTEST:**

**APPROVED:**

\_\_\_\_\_  
**Irma Torrez, City Clerk**

\_\_\_\_\_  
**Dennis Kennedy, Mayor**

**∞ CERTIFICATE OF THE CITY CLERK ∞**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,** do hereby certify that the foregoing is a true and correct copy of Ordinance No. 1780, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the Day of June 2006.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

DATE:\_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

**CITY OF MORGAN HILL  
JOINT REGULAR CITY COUNCIL  
AND REGULAR REDEVELOPMENT AGENCY MEETING  
MINUTES – JUNE 7, 2006**

**CALL TO ORDER**

Mayor Pro Tempore/Vice-Chair Grzan called the meeting to order at 7:02 p.m.

**ROLL CALL ATTENDANCE**

Present: Council/Agency Members Carr, Grzan, Sellers, Tate  
Absent: Mayor/Chairman Kennedy

**DECLARATION OF POSTING OF AGENDA**

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

**SILENT INVOCATION**

**PLEDGE OF ALLEGIANCE**

**RECOGNITIONS**

Mayor Pro Tempore/Vice-Chair Grzan recognized and thanked the following retiring individuals for their years of service: Parks & Recreation Commissioner Jeff Bernardini; Library, Culture & Arts Commissioner Charles Cameron; Bicycle & Trails Committee Member Mark Hubbell; and Architectural and Site Review Board Member Yarmila Kennett.

Anthony Eulo recognized and thanked the following City Beautification Day Volunteers: Kiwanis Club (took the lead to purchase, cook and make food available to volunteers); Mina Park, Sobrato High School CSF Club; Barbara Horning, South Valley Unitarian Fellowship; David Wilson, Church of Latter Day Saints; The Bible Church; and Nellie Bushman, Hospira.

Ms. Bushman informed the Council that Hospira will be donating \$2,500 to assist the City with future Beautification Days.

**PRESENTATION**

Taylor Dile, Executive Director of the Housing Trust, thanked the Council for the support given over the last five years. He said that the Housing Trust likes to get together with its donors once a year to let them know what they are doing. He indicated the City of Morgan Hill has donated \$400,000 to the Housing Trust since its inception. The Housing Trust has invested \$364,000 in first time homebuyer loans (56 loans); and invested \$1 million to the Murphy Ranch I and II project to provide affordable housing in the City of Morgan Hill. County-wide, the Housing Trust has exceeded its goal, over the last few years; investing \$22 million in affordable housing. He informed the Council that the Housing Trust has

assisted 5,632 families and individuals find affordable housing, and that the leverage number for this investment is at \$999 million, attributed to leveraging a few private and public funds. He thanked the Council for supporting the Housing Trust.

### **CITY COUNCIL REPORT**

Council Member Carr reported on the Public Safety & Community Services Committee; indicating the Committee met earlier this evening. He stated that the Committee has been working on a couple of items that have been identified as Council goals for 2006. The Committee discussed dispatch services provided in Morgan Hill, and is in the process of reviewing the regional fire study with staff. He indicated the Committee and staff will soon be hearing from the City's partner agencies on the study. He also serves on the Community & Economic Development Committee. He indicated that the Committee is scheduled to hold a special joint workshop with the Morgan Hill Downtown Association on Monday at 1 p.m. At the workshop, the Committee and the Downtown Association will discuss the status of the Downtown Plan, its implementation, and issues relevant to the downtown. This workshop will allow the Committee to talk with staff, Downtown Association, and downtown business owners on how to implement the different projects in the downtown, and how to update the different activities taking place. He noted that Assistant to the City Manager Melissa Dile is leaving the City of Morgan Hill. He indicated that she served as the chief staff liaison to the Public Safety & Community Services Committee and has served the Committee well in this capacity. He thanked her for the support given to this Committee.

### **CITY MANAGER REPORT**

City Manager Tewes indicated that the Council will be asked to review the agenda to make sure that it is in the appropriate order. He stated that Consent Calendar Item 1 has been withdrawn from the agenda and may return at a later date.

### **CITY ATTORNEY REPORT**

City Attorney Kern indicated that she did not have a report to present this evening.

### **OTHER REPORTS**

### **PUBLIC COMMENT**

Mayor Pro Tempore/Vice-Chair Grzan opened the floor to public comments for items not appearing on this evening's agenda.

Richard Palmisano inquired whether the City financed a trip to Ireland to present the City's key and whether the Council's retreat held earlier this month that discussed the City's financing was also financed by the City.



City Manager indicated that Mayor Kennedy traveled to Ireland on behalf of the City. Mayor Kennedy announced, at a prior Council meeting, that his travel expenses were not paid by the City. The cost for the budget study session consisted of coffee, donuts, and sandwiches; paid by the City.

No further comments were offered.

## ***City Council and Redevelopment Agency Action***

### **ADOPTION OF AGENDA**

**Action:** *On a motion by Council/Agency Member Tate and seconded by Council/Agency Member Sellers, the City Council, on a 4-0 vote with Mayor/Chair Kennedy absent, **adopted** the agenda as posted with the exception of Item 1; **removing** Agenda Item 1 from the agenda.*

## ***City Council Action***

### **CONSENT CALENDAR:**

Council Member Sellers requested that item 16 be removed from the Consent Calendar.

Council Services & Records Manager Torrez informed the Council that staff inadvertently left out a third action item for Consent Calendar Item 18. The Action item is “Authorize the surplus vehicle to be used as a trade in to the Ford Store.” She recommended that Item 18 remain on the Consent Calendar and that action item 3 be part of the motion.

**Action:** *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Approved** Consent Calendar Items 2-15 and 17-20, as follows:*

1. **REQUEST FOR CITY COUNCIL SPONSORSHIP OF THE “MAYORS” FOURTH OF JULY RECEPTION**

**Action:** *This Item was removed from the Consent Calendar. **No Action Taken.***

2. **CONTRACT FOR WORKER’S COMPENSATION THIRD PARTY ADMINISTRATOR**

**Action:** ***Authorized** the City Manager to Execute a Consultant Services Agreement for Third Party Administration of Worker’s Compensation at a Cost Not to Exceed \$50,000 over the Term of the Agreement; Subject to Review and Approval by the City Attorney.*

3. **STATUS OF FISCAL YEAR 2004-2005 AND 2005-2006 GENERAL PLAN IMPLEMENTATION**

**Action:** ***Accepted** and **Filed** the General Plan Implementation Report with the State Office of Planning and Research (OPR) and State Department of Housing and Community Development (HCD).*

4. **RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDSCS) 2006 QUARTERLY REPORT #1**  
*Action: Accepted and Filed the RDSCS First Quarter Report for 2006.*
5. **AGREEMENT BETWEEN THE CITY AND INDEPENDENCE DAY, INC. TO CO-SPONSOR THE JULY FOURTH CELEBRATIONS**  
*Action: Upon Receipt of a Signed Agreement from Independence Day Inc. (IDI), Authorized the City Manager to Sign the Co-Sponsorship Agreement on Behalf of the City; Subject to Review and Approval by the City Attorney.*
6. **AWARD OF COYOTE CREEK TRAIL CONNECTION PROJECT**  
*Action: 1) Awarded Contract to Riley's Striping, Inc. for the Construction of the Coyote Creek Trail Connection Project in the Amount of \$31,643; Subject to Review and Approval by the City Attorney; and 2) Authorized Expenditure of Construction Contingency Funds, Not to Exceed \$3,164.*
7. **APPROVAL OF SUBDIVISION IMPROVEMENT AGREEMENT WITH TBI MADRONE VILLAGE, LLC – APN: 726-33-028**  
*Action: 1) Approved the Subdivision Improvement Agreement, and 2) Authorized the City Manager to Sign the Agreement on Behalf of the City with TBI Madrone Village, LLC (APN: 726-33-028); Subject to Review and Approval by the City Attorney.*
8. **COUNTYWIDE AB939 IMPLEMENTATION FEE AGREEMENT**  
*Action: Authorized the City Manager to Execute the Agreement with the County, Subject to Review and Approval by the City Attorney.*
9. **HOUSEHOLD HAZARDOUS WASTE SERVICES AGREEMENT AMENDMENT**  
*Action: Authorized the City Manager to Execute the Amendment to the Agency Agreement with the County, Subject to Review and Approval by the City Attorney.*
10. **HOUSEHOLD HAZARDOUS WASTE SERVICES AGREEMENT**  
*Action: Authorized the City Manager to Execute the Agreement with the County, Subject to Inclusion of Funding in the Adopted Fiscal Year 2006-2007 City Budget; and Subject to Review and Approval by the City Attorney.*
11. **APPROVAL OF PURCHASE ORDER TO U.S. FILTER FOR PERCHLORATE REMOVAL SYSTEMS OPERATION AT NORDSTROM AND TENNANT WELLS**  
*Action: Authorized Issuance of a Purchase Order to U.S. Filter in the Amount of \$325,000.*
12. **REJECTION OF BID FOR FISCAL YEAR 2006-2007 GROUNDS AND LANDSCAPE MAINTENANCE SERVICES**  
*Action: 1) Rejected Bid Received on May 25, 2006 for City-Wide Grounds Landscape Maintenance Services; and 2) Authorized Staff to Re-Bid.*

13. **AUTHORIZE PARKS AND RECREATION COMMISSION TO APPOINT STEERING COMMITTEE MEMBERS FOR TRAILS MASTER PLAN**  
*Action: **Authorized** the Parks and Recreation Commission (PRC) to Appoint Steering Committee Members to Aide in the Development of the Trails Master Plan.*
14. **AWARD CONTRACT FOR NEW LIBRARY GLASS AND GLAZING PACKAGE #11 REBID**  
*Action: 1) **Rejected** Non-Responsive Apparent Low Bid from Coast Counties Glass as Recommended by the City Attorney; and 2) **Awarded** Contract to Valhalla Builders and Developers, Inc. in the Amount of \$889,500.*
15. **ACCEPTANCE OF SISTER CITY DISPLAY CASE FOR SISTER CITY MEMORABILIA**  
*Action: 1) **Accepted** the Sister City Committee Display Case Located in the Entrance Hallway Next to the El Toro Room at the Community and Cultural Center; 2) **Accepted** Donation from Anritsu of the Display Case on Behalf of the Sister City Committee; and 3) **Accepted** the On-Going Sister Cities Memorabilia Display, Pending City Attorney Approval.*
17. **AMENDMENT TO AGREEMENT WITH NAFFA INTERNATIONAL**  
*Action: **Authorized** the City Manager to Execute an Amendment to Agreement with NAAFA International for Plan Review Services.*
18. **PURCHASE OF POLICE DETECTIVE VEHICLE**  
*Action: 1) **Determined** that the “Competitive Bids Upon Notice for a New Vehicle would not be Likely to Result in a Lower price to the City from a Responsible Bidder, or would Cause Unnecessary Expense or Delay under the Circumstances”; 2) **Authorized** Vehicle Purchase from The Ford Store of Morgan Hill for the Vehicle Identified in Staff Report for a Total Cost of \$24,385.50; and 3) **Authorized** the Surplus Vehicle to be used as a trade-in to the Ford Store.*
19. **SPECIAL CITY COUNCIL MEETING MINUTES OF MAY 19, 2006**  
*Action: **Approved** as Submitted.*
20. **JOINT SPECIAL CITY COUNCIL, SPECIAL PLANNING COMMISSION, SPECIAL PARKS & RECREATION COMMISSION, SPECIAL SENIOR ADVISORY COMMISSION, AND SPECIAL YOUTH ADVISORY COMMISSION MEETING MINUTES OF MAY 23, 2006**  
*Action: **Approved** as Submitted.*
16. **MAYOR AND COUNCIL MEMBER COMPENSATION**

Council Member Sellers recommended the Council vote on this item separate from the Consent Calendar to allow Council Members the opportunity to vote on the item individually. He indicated that mayor and council member compensation has been reviewed by Council Committees. He noted the action would be to increase compensation, slightly. He stated that the increase would not take affect until after the November 2006 election.

Council Member Tate noted the increase would not go into affect until the next term where he and/or Council Member Sellers may not be on the Council.

**Action:** *On a motion by Council Member Carr and seconded by Council Member Sellers, the City Council **Introduced** Ordinance No. 1780, New Series: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING TITLE 1, CHAPTER 2, SECTIONS 2.04.020 AND 2.04.030 OF THE MORGAN HILL MUNICIPAL CODE TO ADJUST THE SALARIES OF COUNCIL MEMBERS AND THE MAYOR.*

## ***Redevelopment Agency Action***

### **CONSENT CALENDAR:**

**Action:** *On a motion by Agency Member Tate and seconded by Agency Member Sellers, the Redevelopment Agency Board, on a 4-0 vote with Chairman Kennedy absent, **Approved** Consent Calendar Item 21 as follows:*

**21. LOAN TO COMMUNITY SOLUTIONS FOR THE REHABILITATION OF THE LA CASA DEL PUENTE TRANSITIONAL SHELTER FOR THE MENTALLY DISABLED**

**Action:** *1) **Approved** a Loan of up to \$50,000 under the Agency's Housing Rehabilitation Loan Program to Community Solutions; and 2) **Authorized** the Executive Director to do Everything Necessary to Prepare and Execute the Loan Documents.*

## ***City Council and Redevelopment Agency Action***

### **CONSENT CALENDAR:**

**Action:** *On a motion by Council/Agency Member Tate and seconded by Council/Agency Member Sellers, the City Council/Agency Board, on a 4-0 vote with Mayor/Chairman Kennedy absent, **Approved** Consent Calendar Item 22, as follows:*

**22. REGULAR CITY COUNCIL AND REGULAR REDEVELOPMENT AGENCY MEETING MINUTES OF MAY 24, 2006**

**Action:** ***Approved** as Submitted.*

## ***City Council Action***

### **PUBLIC HEARINGS:**

**23. 2006 HAZARDOUS BRUSH PROGRAM COMMENCEMENT REPORT AND PUBLIC HEARING**

Assistant to the City Manager Dile stated that this is the second part of a two-part program in place to manage fire risks in the community through hazardous vegetation and brush abatement. She said that

this particular program is the obligation of property owners who live in hazardous hillside areas and are required to remove brush within a certain distance from their homes in order to reduce threat of fires. She indicated that in December 2006, the Council adopted Resolution No. 5966 that set June 6, 2006 as the date for property owners to protest being a part of this year's program. She said that brush abatement notices have been sent to 29 parcels whose properties have been identified as having hazardous brush by Santa Clara County Fire Department staff.

Mayor Pro Tempore Grzan opened the public hearing. No comments being offered, the public hearing was closed.

**Action:**        *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Accepted** the 2006 Hazardous Brush Program Commencement Report.*

## **24. PUBLIC HEARING OF PROPOSED FISCAL YEAR 2006-2007 OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGET**

Finance Director Dilles indicated that on May 12, the Council held an all day workshop on a Sustainable Budget Strategy. The Council considered the results of the Community Conversations, community survey results, and the fire study. The Council also heard information from a Redevelopment Agency consultant regarding a proposed extension of the Redevelopment Agency. He presented a power point presentation; highlighting the proposed Fiscal Year 2006-07 Operating and Capital Improvement Program. He addressed the five-year forecast to 2010-2011. He indicated the City would end this year with a projected \$9.3 million in the general fund; dropping until it reaches \$6.9 million in June 2011. He noted that this is still a healthy fund balance of 25% in reserves; an amount the Council wants to see in reserves to cover unexpected needs.

Mr. Dilles addressed the six conclusions the Council reached at its budget workshop as follows:

- As measured by the Community Conversation responses and a statistically significant sampling of likely voters, Morgan Hill residents like living in Morgan Hill and are generally satisfied with current City services.
- The City Council does not plan to place a tax measure on the November 2006 ballot, nor reduce services from current levels at this time. The Council decided not to utilize any of the 8 specific potential revenue sources at this time.
- The City to continue using reserves to fund general fund services, but at a lower rate thanks to healthy sales and property tax growth.
- The Council recognizes that keeping staffing levels constant while the community grows may lead to service level reductions.
- Pursue an extension of the Redevelopment Agency with a smaller project area. If adopted, this would lead to an additional \$860,000 in property tax dollars per year to the general fund.

- The Council is evaluating ways to continue the conversation with residences about service levels desired by the community, and how to pay for these services.

Mr. Dilles noted the staff report briefly addressed the need to make certain adjustments/corrections to the current Fiscal Year 2005-06 budget: 1) approval of making a \$100,000 general fund transfer from the current fiscal year to the community recreation center's start up fund to allow the City to have more money in the future when it starts up the proposed future outdoor sports complex. Staff is requesting the Council approve an additional \$68,775 out of the community recreation start up funds into the General Fund in order to assist staff with additional expenditures in the current fiscal year to get the Centennial Recreation Center up and running. He said that staff recommends the Council open/close the public hearing, approve the specified increases in the fiscal year 2005-06 budget, and to schedule the adoption of the fiscal year 2006-07 budget for June 21, 2006.

City Manager Tewes informed the Council that the requested amendments for the current fiscal year are already reflected in the budget documents and that these assumptions were built into the budget document presented to the Council. He indicated that the Council has been provided with a copy of a letter received by staff from the Morgan Hill DOG owners' group. He felt the letter was relevant to the budget as the letter indicates a revision in their plan for how to pay for the proposed dog park. The DOG owners' group is specifically requesting the Council designate \$20,000 toward capital costs. As the Council is holding a public hearing on the budget, he felt it would be appropriate to make this letter a part of the record.

Mayor Pro Tempore Grzan opened the public hearing.

Chuck Dillmann recommended the City look at a program entitled "Work Out." Work Out is a program where employees get together to look at what is being done and eliminate whatever is felt unnecessary. At the end of the session, the appropriate management in attendance can make an instant decision as to acceptance and implementation. He felt this program would work to increase productivity. This program is a way of focusing on the most important activities; eliminating those that are not as important. He acknowledged it is difficult to make a decision(s) to implement funds/taxes. However, he noted the City's fund balance is declining and that there is a lot of instability in the economy these days. He said that despite the fact that fuel costs are rising, it remains a political situation that can be turned around in an instant with taxes disappearing. He noted that property taxes are going up with the sale of homes; however, if the market softens, the assessor's office may decrease assessments. This would result in property taxes going down. He felt that some tax increases are more fair and innocuous than others. However, he felt the Council needs to bite the bullet in an organized fashion; maybe not immediately in this budget, but certainly by next year's budget. He did not recommend the Council bet on success to succeed because the situation can change.

No further comments being offered, the public hearing was closed.

Council Member Tate noted that only one person addressed the Council this evening regarding the most important decision the Council makes each year; adopting the City's budget. This might mean the Council is doing a good job. He said that he has heard from two individuals who have stated they would

watch Council meetings if they were streamed over the internet. He did not believe that two individuals out of 37,000 residents in the City is an overwhelming majority. He noted that funding for video streaming was not included in the budget. He recommended the City find out if there is more of a demand than these two individuals to determine if this is a direction the City wants to take in the future.

Council Member Sellers indicated that there are other cities the size of Morgan Hill who have implemented streaming council meetings over the internet and that it promotes access to local government; particularly given the declining number of families who have cable. He noted the general fund balance chart that showed fund balances being high in the late 80s, 90s and early 2000s. He did not believe fund balances should be too high because hoarding too much money may mean the City is not properly utilizing public dollars. He noted the City is in a healthy level as the City has more reserves than most cities in the County. This is attributed to the fact that the City chose not to spend these funds when they were coming in at a rapid pace. He felt it important to point out the City has done a good job in balancing reserves; not letting them get too big, dip too low, or use them until they zero out. He agreed that several elements in the City's budget are volatile such as the property tax, sales tax, gas tax, etc. He indicated the City is most vulnerable to "take aways" from other governmental agencies why may be in need of funds. The City needs to be aware of all these things and maintain a healthy reserve in order to weather out these elements. He indicated the Council has encouraged staff to look into ways of eliminating unnecessary tasks. He said that some of the best suggestions presented for reducing costs without reducing services have come from staff. An example of this was reconfiguring the City's parks in the way they are laid out and where lawns are used/not used. These suggestions reduced maintenance costs, and reduced use of water and energy costs without significantly reducing services. He said that a challenge a public agency faces is that it cannot go off and internally decide which services will be eliminated/reduced as public hearings need to be undertaken to receive public input. He stated the Council takes the approval of the budget as its most serious job. He encouraged the Council to have a conversation about the dog owners' group and the relationship the Council has with community organizations before approving the budget.

Council Member Carr agreed the Council needs to talk about the Community Promotions budget; noting the Council added \$60,000 for community events. He felt the DOG owners' request would fall within the Community Promotion's budget, noting the Council had a specific time period where individuals were asked to apply or let the Council know they were going to have funding requests. He said that the Public Safety & Community Services Committee has been looking at funding requests. He noted the Council asked this Committee to come up with guidelines and that staff will return to the Council after the Committee's discussions of today.

Council Member Tate did not agree that funding for the dog park should come from the Community Promotion's budget as this is an important element in a park. He noted that walking a dog off leash is becoming increasingly popular as part of a recreational element of a park. He noted the Council reserved land for the dog park and that this group has been working diligently to raise funding for this park element; however, they have not raised enough to complete this element. Therefore, they are asking for Council assistance to complete this element in the park. He was sympathetic to their request, but understands the budget situation and not having money.

Council Member Sellers inquired whether it would be better to add funding at the front end, or would it be better to hold off on the funding and have a broader discussion about the funding request in the future.

City Manager Tewes agreed that the request by the DOG group is for capital expenditure. He indicated that this would be a revision to the previous plan in which this group would provide the funds to construct the park. He noted that the DOG group has agreed to maintain the dog park. He said that the Parks & Recreation Commission has reviewed the Capital Improvement Program (CIP) budget. It was his belief that there was sufficient time to refer this request to the Parks & Recreation Commission in order to get their views in the context of the total capital needs of the park. He noted the City conducts multi year capital budgeting and that the City needs to make sure that funding requests fit into the overall five-year plan.

Mayor Pro Tempore Grzan thanked City Manager Tewes, Finance Director Dilles, his support staff, and Assistant to the City Manager Diles who worked the entire year diligently on the City's fiscal problems/issues. He appreciated what they did during the Community Conversations; formulating alternatives for the Council. Although the Council did not select from the broad range of choices, it was good to know the Council had choices before it. He said that it may be that at some point in the future, the Council may need to revisit these choices and make difficult decisions.

Council Member Carr noted that Council Member Tate brought up the issue of communications; broadly and specifically talking about streaming on the City's website. He inquired whether this was a topic to be discussed with the action to be taken under this item or the next agenda item.

Council Member Tate recommended staff research the need for a streaming website before allocating funding. He would like to know the real demand for a streaming website. He recommended that this topic be discussed under agenda item 25.

**Action:** *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent: 1) **Approved** Specified Increases to the Fiscal Year 2005-2006 Budget, 2) **Scheduled** Adoption of Fiscal Year 2006-2007 Operating and Capital Improvement Program Budget for June 21, 2006; and 3) **Referred** the Morgan Hill Dog Owners Group's request for matching \$20,000 funds for the construction of the dog park to the Parks & Recreation Commission (to be considered as part of the Capital Improvement Budget).*

## ***City Council Action***

### **OTHER BUSINESS:**

#### **25. COMMUNITY CONVERSATIONS AND CITY COMMUNICATIONS**

Assistant to the City Manager Dile indicated that this item has two related communications and community outreach initiatives the Council wished to explore further as discussed at the Council's May



19, 2006 workshop. Regarding the Community Conversations, the Council indicated, at the May 19 workshop, that it wants to continue this process in some form later in the year. She said that in creating this year's process for the Community Conversations, the Council established guidelines for the process that was used by the Financial Policy Committee and staff for developing the process that occurred earlier in the calendar year. She informed the Council that the guidelines have been modified slightly. She clarified that there are many similarities to the guidelines previously established by the Council with a specific focus on service levels and how to pay for them. Anticipated is a lower level of consultant advice than used this year as it was the belief that the City could build upon this experience. The City may wish to engage a consultant for a limited amount of advice at an estimated cost of approximately \$10,000. She said that the Council may wish to consider some opportunity for on-line participation. She informed the Council that the firm used for this year's Community Conversations has experience with on-line participation and could provide the City with guidance, if this was something the Council wishes to pursue. Staff believes it would be useful to engage individuals who were involved this year as facilitators and participants. She noted the City has approximately 200+ individuals who have indicated a willingness to continue to be engaged on this topic. She recommended the City include these individuals moving forward. Staff also believes it would be useful to continue to work with the City's local media outlets as it moves forward and explain what this topic is all about, what issues are facing the City, and the City's approach to involving the community in making these important decisions. She recommended the Council consider, and possibly endorse the proposed guidelines for Phase II of the Community Conversations, and direct staff to further develop the process in accordance with the guidelines. Further, that staff be directed to amend the proposed budget in Fiscal Year 2006-07 to support this effort.

Ms. Dile indicated the Council expressed interest in increasing the number of times the City publishes its newsletter. She said that staff tried to keep a status quo level of expenditures. As the City is changing its approach on how it publicize city events and recreation activities, the proposed budget, as it stands now, only funds two editions of the City Connection newsletter in Fiscal Year 2006-07. She noted the Council expressed some support in increasing this budget to increase the publication rate to six times a year at an additional \$20,000 in cost. She said there were a number of additional budget options, including video streaming, mentioned in the special analysis in the budget. She informed the Council that staff did not spend a tremendous amount of time in developing a request for proposal. Staff reviewed a software program used by the City of Gilroy and obtained an estimate for initial start up costs at \$24,000. However, staff has not conducted a pro active effort to determine the interest level there might be in the community. This may be one of several options the Council may wish to consider or fund next year.

Council Member Sellers noted that staff mentioned an on-line Community Conversation participation opportunity. He said that some individuals lamented about the fact that the City had only 300 individuals participating in the Community Conversation process. Given the fact that this was a 2.5 hour commitment, he felt this was a significant number of individuals who made a commitment. He said that it is easier to give this time if you are at home and can participate on-line. However, the significance of the 2½ hours was the fact that there was an educational component that was concurrently occurring. He said that individuals were not merely being asked if they felt there should be low taxes and high services. Individuals participating in the Community Conversations were being told about the trade offs, what the budget looks like, and how the City receives/spends revenues. The Community Conversation

participants were presented with the City's background. He felt that an on-line community conversation component was a great suggestion. However, should the City proceed with an on line component, it would be vital to include as much information; tying the conversation with specific budget items. If done on line, individuals should be given background information, including quick links to various aspects of the City to make this an educational process as well as an input process. He inquired whether the on line component is something the firm retained by the City currently does or has done in the past.

Ms. Dile said that the firm retained by the City has conducted an on line component for citizen engagement in other communities. However, staff has not discussed with the firm an on line component for Morgan Hill, what it would look like, or how well it would fit the specific question. She noted the City designed a 2½ hour community conversation process in order to include an educational component; including a dialogue being conducted among residents in order to reach consensus. Staff would need to spend a significant amount of time figuring out how an online component could be useful, and still have the dialogue component that was found to be valuable.

Council Member Tate said that he likes what staff has done in the recommended guidelines for Phase II; placing emphasis on service levels. He clarified that he was looking for more specificity and inquired whether the Council could provide staff better direction in terms of what specific services it is talking about and their priorities. He felt the Council attempted to reach consensus on the prioritization of services, and that the Council could conduct another workshop to be specific before commencing Phase II at the beginning of next year.

Mayor Pro Tempore Grzan opened the floor to public comment.

Dan Ehrler said that what is before the Council is encouraging and was supportive of it. He felt that anytime you can have as much communication as possible and interactions about issues as serious as these for the future of the community, the better. He said that the investment is something the City/community will see returns on. He stated that establishing a process that will be valuable to those who participate in whatever medium, will be beneficial to the decision makers of the community. He recommended Council approval of the actions before it this evening.

Chuck Dillmann stated that he had some involvement in the Community Conversations. One of the first things that startled him was the large air of distrust. He said that individuals attending these sessions felt they were given choices already laid out. Further, individuals felt that a decision had already been made, and that this was a ploy to convince them that participants were making the decisions. He indicated that at the end of the sessions, attitudes improved; however, it was his belief the feelings still linger. He felt there might be an opportunity to conduct trial sessions in different formats to see what works best. The City could invite those who previously participated to provide feedback on what they would like to see the next time. However, he would not hold a lot of hope for a lot of participation. Perhaps some brainstorming at the front end of each meetings may result in a better structure; resulting in a lot of benefit.

No further comments were offered.

Council Member Sellers noted that earlier this evening, under the budget public hearing, staff identified six items the Council decided upon at the workshop. One of the items was that the Council decided not to pursue any tax increases this fall. He noted that several times, during the community conversations, and in the letters to the editors, comments were made to the affect that this process is an excuse for the Council to do what they were going to do anyway. Several times, individuals indicated the Council will be placing a tax measure on the ballot this fall and that the community conversations were an excuse to do so. He said that the input he and the Council received from the community conversations, the survey conducted, the analysis of the budget, and other informed individuals in the community engaging in this discussion, convinced the Council that it did not make sense to place a measure on the ballot this fall. He felt the community conversations made a big difference on how the Council looked at the issues and the choices it ended up making. There was no doubt that the community conversations undertaken had an impact on public policy. He felt it would be better to have a positive engagement rather than proceeding with a ballot measure, and that this is a positive effort this evening. He inquired whether staff should be directed to further explore an on-line streaming website and determine costs.

Council Member Carr supported asking staff to further investigate any kind of on line tools the City can use. Further, to figure out a way to increase community participation. He agreed that the focus of phase I of the community conversation was to bring neighborhoods together in conversations, not simply to record individual thoughts that might be done or having individuals respond one at a time at a town hall meeting. He said that it is the idea to engage individuals in conversations. He noted that 2½ hours was a significant amount of time to ask individuals to participate. He indicated that at the Council retreat, the Council requested that the second part of the community conversation focus on service levels. To be discussed is what the community expects in terms of levels of service from City government. He noted that phase I discussed the finances of City government in terms of revenues and expenditures. Phase II will be about the expectation of services levels. He suggested the Public Safety & Community Services Committee take on the oversight for Phase II of the community conversation process from the Financial Policy Committee; looking more at services and less about finances. This may eliminate the feeling the Council will be placing a tax measure on the ballot.

Council Member Tate stated that the Council had a very positive experience at the budget workshop. He noted that staff, Council Members and Dan Ehrler, Director of the Chamber of Commerce, were in attendance at the budget workshop. However, there was no one from the public in attendance with the exception of a Morgan Hill Times reporter for a couple of hours. He noted the news reporter did not report any of the discussion items that took place at the budget workshop. He felt that it was a shame the community did not get the benefit of what he believed was on the best experience he has had on the Council, in terms of taking what was learned from the community conversations and the surveys. The Council came away with an understanding of what was represented/not represented. At the wrap up session, it was found that community leaders were in attendance, but not the general public. However, the Council was able to factor all the conversations and incorporate them into a direction that formulated the six different conclusions identified this evening. He felt the Council/City was in a positive direction; addressing where the City needs to go to get the budget document in shape, get the City's reserves built up, etc. However, the City has more work to do in Phase II. He recommended the City go back to the public and receive feedback as suggested by Mr. Dillmann in terms of methodology. Before going back to the public, he recommended the Council conduct a brainstorming session to see how specific it can get in terms of services to be addressed. He indicated that he serves on the Financial Policy Committee

as well as the Public Safety & Community Services Committee. He would support the suggestion that the Public Safety & Community Services Committee have oversight of Phase II. However, it may return to the Financial Policy Committee following review by the Public Safety & Community Services Committee due to the financial implications/impacts.

Mayor Pro Tempore Grzan said that the Community Conversations received a lot of bad media coverage, initially. He noted that the intent of the community conversations was to interact with the community at a different level than has done in the past in order to get a sense of where the City was and to explain the conditions being faced. As part of the next phase of the community conversations, it was his belief it important to communicate often with the public; sharing the decisions to be made, the choices the City faces, and the conditions of the City's finances. He said that the policies and projects dealing with the budget must be transparent with no surprises to the public. He recommended that newsletters be used to inform the public clearly of where it is, what the future holds for the community if conditions continue, or changes that need to be made. He stated that part of the monies being invested this evening are to keep the public informed on what the City does, where it needs to go, to indicate the City's difficult financial situation, and service levels. He felt the City needs to get to a point of describing and quantifying City service levels so the public can understand what the Council is talking about when it talks about service levels. He stated that he supports staff recommended actions of continuing the conversation and communications with the public.

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Directed** Staff to Continue the Community Conversations as Part of the 2006-2007 Workplan.*

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Directed** Staff to Increase the Proposed Budget for Fiscal Year 2006-2007 by \$50,000 to Support this effort.*

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Directed** Staff to Increase the Proposed Budget for Fiscal Year 2006-2007 by \$20,000 to Publish the City Connection Newsletter Six Times in Fiscal Year 2006-2007.*

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Directed** Staff to evaluate video streaming; returning to the Council with its findings.*

## **26.    2006-2007 CITY WORKPLAN**

Assistant to the City Manager Dile presented the staff report on the proposed 2006-07 Workplan, as developed by each City department. The workplan identifies how staff resources will be used for projects that are above and beyond routine activities. She informed the Council that departments have several years of history in developing workplans and identify projects that require levels of coordination and are not activities that occur every year. She indicated that the workplan process has evolved and that for the second year, the Council appointed boards, commissions and committees have been

requested to identify their workplans for the coming year for Council consideration. This year, for the first time, the policy committees of the Council have developed proposed workplans, at their discretion. She requested the Council review, provide comments, and ask questions on all of the workplan items because the workplan items identified indicate where the City expects to spend a significant amount of staff time and resources in the coming year. If there are any items not listed or there are items the departments, committees, or commissions might be taking on that have not been properly coordinated or communicated to the Council, she indicated that this would be the time to identify these items.

Mayor Pro Tempore Grzan opened the floor to public comment. No comments were offered.

Council Member Carr indicated that Phase II of the Community Conversation is listed under the Financial Policy Committee's workplan. In light of the action taken under the previous item, he did not know if this item needs to be removed from the Financial Policy Committee's workplan as this item will be taken on by the Public Safety & Community Services Committee.

Council Member Tate recommended that Phase II of the Community Conversation be retained on the Financial Policy Committee's workplan, from a financial standpoint/aspect, as this item will be reviewed by this Committee for a while. He noted the Council is making few comments on the 2006-07 workplan because the plan is thorough and inclusive of every item he could think of. He felt the workplan, as presented, is a good plan.

Mayor Pro Tempore Grzan agreed that this was an inclusive workplan and did not believe a work item was omitted.

Council Member Carr did not believe the Council Committees were created to be proactive, but were policy review committees. These committees should not be asking staff to work on items that are of particular interest to a particular committee as it may not necessarily be the direction of the Council; especially in light of the current budget situation. These committees should be working on behalf of the Council with staff on items.

Mayor Pro Tempore Grzan said that committees some times receive information and presentations from the public that may solicit an action or reaction that necessitates staff returning to the Committee with information. An example was the situation when PG&E came before the Environment & Utilities Committee. The Committee returned to advise the Council that it should be looking at some things in terms of funding from PG&E on projects in the future. He stated that it would be easy to drift off topic because Committees are receiving information not previously made available to the Council. He felt it would be appropriate for the Committees to hear items; return with solutions or identify problems and issues before the Council. He felt there is direction given to the committees as well as information received by the committees that need to be relayed to the Council with specific recommendations.

Council Member Carr agreed that the example presented by Mayor Pro Tempore Grzan on the PG&E presentation is a good example where the Utilities & Environment Committee received information and that the Council set the direction on how the Committee should use City resources, and not the Committee making these decisions.

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**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council, on a 4-0 vote with Mayor Kennedy absent: 1) **Accepted** the Proposed 2006-2007 Workplan for City Departments, Council-Appointed Boards, Commissions, and Committees; and Council Policy Committees; and 2) **Directed** a Collaborative Role on Phase II of the Community Conversation Workplan item between the Financial Policy Committee and the Public Safety & Community Services Committee.*

City Manager Tewes noted that earlier this evening, the Council heard that Assistant to the City Manager Dile will be moving on to be the Deputy City Manager in the City of Fremont after nearly 15 years of service to the City of Morgan Hill and its community. He indicated that Ms. Dile has done a lot to help him become a better City Manager. However, she has done more to assist the organization to become a better organization, and has made major advances in the City's level of communication in the engagement of the community. He noted the Council has three staff presentations as prepared by Ms. Dile and that this is just a small part of work items the Assistant to the City Manager is involved with. She managed things such as the Fire Services Contract to communications and marketing. Ms. Dile was responsible for the City Connections newsletter, and performed a lot of the work that supported the Community Conversations this year. She is also known as a lot of things in the organization such as being the task master of the workplans. She felt that if the City was to do good work for the community, it was important that it be well planned, monitored and reported. He said that Ms. Dile's impact on the organization is not just in the small three person City Manager's office, but throughout the entire organization and throughout the community through the Community Conversations. He wished her the very best.

Mayor Pro Tempore Grzan stated that Ms. Dile will be sadly missed. He said that she has been one of the most highly professional individuals he has dealt with. Her demeanor and willingness to assist Council on problems and issues were beyond his expectations. He wished her the best of luck.

## **27. ESTABLISH SISTER CITY RELATIONSHIP WITH MIZUHO, JAPAN**

Special Assistant to the City Manager Spier informed the Council that it has three Sister City relationships and that staff is proposing a fourth relationship with the City of Mizuho, Japan.

Mayor Pro Tempore Grzan opened the floor to public comment.

John Fuggiotti, Chair of Sister Cities Committee, presented the Council with a slide presentation on the City of Mizuho, Japan. He said that a four member delegation from Mizuho will be visiting Morgan Hill and participating in the Fourth of July parade/activities.

No further comments were offered.

Council Member Sellers said that when the Sister Cities Committee was first established, the Committee identified three major cultures that had significant influence in Morgan Hill. He noted the City has been able to honor the Italian, Mexican, and Irish cultures. This evening, the City is honoring the Japanese culture. He noted that Mayor Kennedy has spearheaded most of this effort and has made several trips to these countries at his own expense. In recognition of the efforts made by Mayor Kennedy, he would

support staff's recommended action. He pointed out that with consent calendar item 15 this evening, the Council accepted a display case donated by Anritsu and recognized this donation now being used at the Community & Cultural Center.

**Action:** *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Adopted** Resolution No. 6021, Establishing a Formal Sister City Relationship with the City of Mizuho, Japan.*

## **28. THIRD STREET PROMENADE**

Business Assistance and Housing Services Manager Maskell presented the staff report on a request to approve the conceptual design for the Third Street promenade and to authorize staff to submit a grant application for \$1.9 million with the Metropolitan Transportation Commission's (MTC) Transportation for Livable Communities 2006 Capital Program grant funding. She indicated that this is a beautification grant; however, underground utility work is not an eligible expense for this grant. She stated that the total project cost for the MTC eligible portion of the program is approximately \$2.2 million and that the needed utility work is approximately \$834,000. Therefore, the total project cost is over \$3 million of improvements for Third Street. She informed the Council that the grant application requires a local match from the City-Redevelopment Agency. Staff is requesting up to \$325,000 from the City or the Agency. At a later date, \$250,000 in developer funds, committed to the Third Street Promenade by the Sunsweet Plaza project, could be used to reimburse the City or the Agency.

Ms. Maskell informed the Council that grant proposals are due on June 23, noting the plans presented this evening are conceptual and that details will be worked out as the project moves further along. She indicated that the original concept for Third Street was developed in the approved Downtown Plan of 2003 and calls for a pedestrian oriented Third Street with wider tree-lined sidewalks that creates a direct linkage to the Caltrain Station. In addition to the beautification element, she informed the Council that the utility undergrounding and other improvements should be installed while the streets are torn up. She indicated that the concept represents a compromise by all parties involved. She stated that staff has made an effort to meet as many of the needs of the stakeholders as possible; and yet develop a concept that will be competitive against other grants submitted to MTC. She said that many issues and interests were weighed and considered prior to the development of this plan and includes issues such as parking, sidewalk widths, travel lane widths, bicycle and travel lanes, safety issues; including lighting, outdoor dining, etc. She informed the Council that Rocke Garcia submitted a letter requesting enough lighting be provided as part of the project.

Ms. Maskell stated that everyone involved recognizes that the promenade project will bring about many good changes to Third Street. However, parking will change and be significantly reduced. It is staff's belief that the overall good of the project for the downtown outweighs the reduction in parking spaces. She indicated that approximately 60 cars can park diagonally on Third Street at this time. The concept plan provides for parallel parking and that approximately 30 parking spaces would be provided. The reduced number of parking spaces has been voiced as a major concern by several of the stakeholders. She stated that given this concern, the recommended proposal was selected in order to keep the City's parking options as open/flexible as possible. She said that the proposal leaves the door open to re-stripe diagonal parking on one side of the street and parallel parking on the other side of the street. She stated

that given the general concern over public parking in the downtown, the Council could decide to make the development of off street parking a high priority, should the Redevelopment Plan amendment be adopted. She said the development of off street parking would help off set the loss of on street parking on Third Street and Depot Street. She stated that staff recommends approval of the proposed concept for the Third Street Promenade and requests authorization to submit a grant application with a local match to MTC. However, the Council may wish to consider increasing the local match to make for a more competitive submittal.

Council Member Sellers expressed concern that the City has established preliminary drawings, and that should the drawings be inaccurate, this will raise concerns within the community. He stated that he would like to hear about restrictions that may be imposed by the MTC grant application. He felt that if the grant becomes too restrictive and does not allow the City to do what it believes is best for Third Street, it may not be worth pursuing the grant. He inquired whether the restrictions are ones the City can live with and as to the specific points to which the City can influence the design. He further inquired whether the City would be able to change the design in the future, should the City receive grant funding.

Ms. Maskell noted that this is a Livable Community Grant and that MTC is looking for a project that creates a sense of place where people will want to be. They are interested in the inclusion of as many modes of transportation as possible. She informed the Council that staff meet with MTC staff and that they were encouraging about this project; recognizing that this is the last connecting piece to the train station that encourages pedestrians in the area. It was her belief there may be some flexibility, but that it is MTC who would review the application and determine if it complies with the general concept, and includes the amenities they are hoping to see.

Council Member Tate indicated that staff presented statistics on parking, and that it was indicated that parking would be reduced from 60 to 30 parking spaces on Third Street. He noted the City already reduced parking on Depot Street. He did not know how many parking spaces would result with diagonal parking.

Ms. Maskell said the design left enough area, from curb to curb, to accommodate diagonal parking on one side of Third Street and would add an additional 9 parking spaces (from 30 to 39 parking spaces). From a safety stand point, staff expressed concerned for the pedestrians and bicyclist associated with diagonal parking. However, should the bicycle lane be removed and diagonal parking be provided, the safety issue would be eliminated.

Deputy Director of Public Works Bjarke said that Depot and Third Streets are substandard streets and are not developed to City standards. The streets do not include curb and gutter. He said that at some point in the future, it can be anticipated that these streets will be built out. Once built out, parking spaces would be lost.

Ms. Maskell said that it was her belief that the discussion of the bulb out, as it comes around onto Third Street from Depot Street, would be built as part of the Depot Street project; not as part of the Third Street project.



Council Member Tate felt the City was creating an emergency situation where the City needs to do something about parking. He said that parking will become a high priority as the City moves forward.

Ms. Maskell indicated that she spoke with Gayle Richter this afternoon who states her support of this project, but that she was disappointed that parking would be eliminated. She said that Ms. Richter encourages the City to address lack of parking in another fashion. She clarified that new/redeveloped projects do not need to provide on site parking. Housing developments are required to provide parking for its occupants, but that the requirement for guest parking was recently removed in order to encourage additional housing units in the downtown.

In response to Council Member Carr's question, City Manager Tewes stated that within the downtown area, commercial businesses are not required to provide parking. Parking is provided in the public parking lots, or on public streets.

Council Member Tate noted that there are homes on the north side of Third Street the City hopes will redevelop into the downtown that is desired. He inquired whether these property owners were on board with this plan.

Ms. Maskell informed the Council that two meetings were held to explain the project and that they were well attended. She stated that the housing property owners had different issues. She stated that the homeowners would like to see a wider sidewalk on their side of the street, and that this was their primary concern. The homeowners did not address parking.

Council Member Tate noted that the north side of Third Street has several curb cuts. He inquired whether the property owners could redevelop their properties such that it would make the redevelopment of the homes fit the Downtown Plan (e.g., eliminating some of the curb cuts).

Ms. Maskell informed the Council that some of the residents did not agree with the rational for the design proposed for Third Street, while others understood the reason the City is ready to move forward. However, many were not ready to develop their properties at this time. In speaking with the homeowners, she tried to focus on the vision for Third Street.

Mayor Pro Tempore Grzan opened the floor to public comment.

Mike Clampett informed the Council that he holds two leases: one on Depot Street and one on Third Street. He said that when the Depot Street project came forward, he was told that sufficient parking would be made available. He noted that Depot Street went from 14 diagonal parking spaces to no parking spaces. He acknowledged the City worked with him to provide a pull out for drop off/pick up. Now, Third Street is coming along and he will go from 9 parking spaces to 0 parking spaces. He stated that there are approximately 60 parking spaces available at this time. He felt the City should go after grant funding aggressively, but not if it takes away the parking spaces in the area. He was not sure what would be done with parking as far as Third Street is concerned. He could not believe the area would go from 60 to 28 parking spaces in order to attain grant monies.

City Manager Tewes indicated that a public parking lot has been installed at the train station that provides 50-60 parking spaces. He noted that page 42 of the Capital Improvement Program indicates that 10 parking spaces would be added to the train station lot that will occur over the course of next year.

Dan Ehrler informed the Council that the Morgan Hill Chamber of Commerce wrote a letter in support of the grant application for the Depot Street project. The Chamber of Commerce believes the Third Street project warrants support for the grant application. He said that because of conflicting meetings, he was not able to attend the meetings to discuss the Third Street project. However, the concerns of Mr. Clampett have come to light. He said that the Chamber of Commerce worked with the City and Mr. Clampett in a productive and positive way. He said that with the support of the grant application, the Chamber of Commerce also suggests that the design be flexible; perhaps designing diagonal parking at this time in order to provide additional parking. He said that parking will be a challenge in the downtown. He felt the Chamber of Commerce, the Downtown Association, businesses and the Morgan Hill leadership need to work together to address parking in a productive way.

Gary Walton, representing the Morgan Hill Downtown Association, informed the Council that he wrote a letter of support to the MTC for this project. The Association believes the Third Street promenade is a part of the Downtown Plan and that it is important to complete this project. The letter states that the Downtown Association would like to encourage maintaining as much of the existing parking as possible. He acknowledged that street parking is important to any community. He did not believe the City can continue to lose parking spaces and expect to have a vibrant downtown as individuals will need to drive to the downtown and park somewhere. He pointed out that the physical environment is only one component of a successful downtown. He agreed it is important that a downtown looks good, but that this is not the only criteria for a successful downtown. He stated that downtowns need to reflect its history, culture, natural environment and the vision of the community. He informed the Council that the Association supports this grant application, but with some reservations. He felt it important to talk about the parking as it is an issue in all downtowns.

Julia Hanmore felt the City could add more parking and help with the pedestrian problems on Monterey Road by moving the buses off Monterey Road, reducing Monterey Road to one lane each way and installing diagonal parking.

Chris Bryant said that what is needed is a cohesive plan for the downtown. He recommended the City plan well in advance for the parking needed in the downtown, and/or change the traffic flow in the downtown from First through Fourth Street where they connect between Depot and Monterey Road. He felt that these streets could lend themselves to being alternating one way streets with diagonal parking.

Rocke Garcia, Glenrock Builders, owners of the Sunsweet site, thanked staff for doing a good job; especially in the hiring of David Gates who designed a spectacular plan for Third Street. What is being proposed is creating a pedestrian promenade that will attract individuals to the downtown area; especially from the train depot and the Courthouse. He noted the Sunweet site has received Measure C approval and contemplated this promenade. He stated that he is supportive of the project because most of the parking discussed previously is located in front of the Sunsweet site. He does not have curb or gutter on his site, and that he did not believe you can achieve 45-parking spaces in front of his property. He informed the Council that his Measure C submittal proposes to install a parking lot between Third

and Fourth Streets, behind the Monterey commercial center. He has agreed to give up some of his property in order to create diagonal parking on Fourth Street. He felt that parking needs to be provided, within a reasonable walking distance. He was pleased to hear that 10 additional parking spaces will be added to the train depot lot as it would help this area. He felt that parking is an important component of getting people to the downtown, but that once citizens get out of their cars, they have to be provided with a safe and inviting walkable area. He informed the Council that his letter states his full support of Mr. Gates' and staff's plan; encouraging lighting in the downtown in order to provide a safe environment.

No further comments were offered.

City Manager Tewes indicated that earlier this evening, the Council reviewed and accepted the workplans from the various city departments and commissions. He felt that two items were relevant to this conversation. He referred to page 214 of the Council's agenda packet. He stated that the Business Assistance and Housing Services Department included in its workplan the amendment of the Redevelopment Agency's plan. Without this amendment, there would be no resources to address the public parking needs of the downtown or any other needs for economic revitalization in the plan area. He referred to page 218, the workplan for the Planning Division/Planning Commission. The workplans associated with these two groups are to prepare an update to the Downtown Plan and an implementation strategy, prepare a complete downtown parking resources management plan, and recommend amendments to the parking standards, as necessary. Therefore, the issue about parking is on the workplan of the Planning Commission and city staff. He stated his commitment of continuing to work with property owners and merchants within the downtown as the City moves forward with this project.

Council Member Sellers inquired whether the City would have any restrictions imposed by the MTC or other jurisdictions as to what the City can do with these spaces. He recommended that some of the parking in the area be designated as 2-hour parking spaces; particularly the parking spaces located to the southern end in order to encourage the flow of parking and discourage individuals from parking on the proposed restricted parking. He felt that short term issues are associated with the construction of Third Street. He stated that by the end of the year, the City should have a good sense of where the parking will be installed. He felt that there were short term opportunities such as providing additional parking spaces at the train depot and designating two-hour parking spaces. He noted that there are several private lots that are underutilized and recommended they be identified. He felt it was important for the City to move forward and authorize the submittal of the grant application this evening in order to keep the process moving. It would be important for the City to state, at the front end, how it will address/deal with short term and long term parking needs. He recommended the Downtown Association approach property owners to see if there are ways to work together to provide parking. He would hate to see businesses go out of business while the City is trying to make significant improvements.

In response to Council Member Carr's question, Deputy Director of Public Works Bjarke stated that it would be Fiscal Year 2008-09 when construction funds would become available, should the City be successful in attaining the grant funding.

Council Member Carr noted that the workplans include reviewing parking needs in the downtown.

Council Member Tate said that it has been indicated that parking is important. Therefore, the City cannot delay and needs to move forward with the Plan amendment. Without the Plan amendment, the City cannot begin to implement the Downtown Plan. He indicated that Mr. Garcia came to the City's visioning process in 1995 and talked about lighting in the downtown. He did not believe enough lighting was included in the plan to light up the downtown. He recommended additional lighting be incorporated into the plan.

Mayor Pro Tempore Grzan expressed concern that the City is addressing Third Street, but not the other streets in the downtown. He felt that a master plan is needed in the downtown as other streets may need a promenade as well. He is looking for a visual downtown plan, economic figures, and what it would take to make the downtown a sustainable and vital area. He recommended that this be the foundation for how the City develops the streets. He noted the City is making decisions on streets and locations of isles based upon the lack of parking. He felt that parking solutions need to be in place in order to make the downtown a viable place. He would hate to invest public dollars only to find out that the improvements would need to be torn up at a later date.

Council Member Sellers felt the Downtown Plan adopted a few years ago addresses Mayor Pro Tempore Grzan's issues as well as other issues. He said that the Third Street promenade is being proposed because it is the widest street in the downtown and ties the train depot and the courthouse to Monterey Road. He agreed that lighting is needed, but that there are no funds available to install them until the Redevelopment Plan is extended. He said the City needs to specify lighting and parking in the downtown at the front end. He noted that this grant is being sought because of the Downtown Plan and the input received as part of this process. He did not believe the Third Street promenade to be isolated, but is very specific in terms of how it looks and what it will provide.

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Approved** the Conceptual Design for the Third Street Promenade.*

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Authorized** Staff to Submit a Grant Application for up to \$1,900,000 in Metropolitan Transportation Commission (MTC) "Transportation for Liveable Communities 2006 Capital Program" (TLC) Grants with a "Local Match" of up to \$325,000.*

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Directed** Staff to talk to the community about addressing the short term parking needs and identify long term parking needs.*

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Directed** Staff to incorporate additional lighting in the development of the plans.*

## ***City Council and Redevelopment Agency Action***

**OTHER BUSINESS:**

**29. PROPERTY BASED IMPROVEMENT DISTRICT (PBID)** (Continued from May 24, 2006)

Director of Business Assistance and Housing Services Toy informed the Council that last year, the Morgan Hill Downtown Association was unable to secure the prerequisite number of signatures needed to proceed with a PBID. Since that time, the Downtown Association met with all concerned property owners and revised the plan to address concerns (e.g., reduced the budget from \$200,000 to \$75,000, eliminated any use of PBID funds for administrative costs). He stated that the PBID is designed to benefit properties in the downtown area and would fund capital improvements, economic development, marketing, pedestrian security and safety, and public space. He indicated that two benefits are proposed: a premium and standard zone. He stated that assessments are based on lot square footage and building square footage. The duration for the PBID would be five years and that the total PBID would be \$75,000 in the first year with provisions for annual increases up to 5% per year.

Mr. Toy informed the Council the City must receive petitions signed by more than 50% of the property owners in the proposed assessment district. He noted the City's Redevelopment Agency represents approximately 32% of the total \$75,000 assessment. He stated that the Downtown Association has indicated that they have received petitions approving approximately 38.5% of a total assessment for approximately \$29,000 of the total assessment. A policy that has been applied relating to assessment is that they need to obtain at least 50% of the remaining assessment, not counting the Redevelopment Agency assessments. He informed the Council that the Community & Economic Development Committee believes that 50% of the remaining assessment policy is a reasonable threshold and recommends the Council schedule a public hearing to form the PBID. He stated that the Downtown Association has obtained approximately 56% of the remaining assessments; equating to a little over \$51,000, not counting the City's Redevelopment Agency properties. Should the City vote to sign the petition, the signed petition would represent approximately 70% of the total assessment.

Mr. Toy informed the Council that the Downtown Association will be proposing to augment the PBID budget. They will come before the Agency in late June or July to request matching funds from the Agency. These funds would be used for the operations and management of the PBID as well as the operations of the Downtown Association. He stated that it is envisioned that there would be an "owners association" and that this structure will be put into place on or before the July 26 public hearing. At that time, the City would enter into an agreement with the owners association for the operation of the PBID. He indicated that the Community & Economic Development Committee has requested the Downtown Association's proposal factors into the passage of the Agency's plan amendment and the PBID into any financial requests.

Council/Agency Member Tate requested clarification about the use of matching funds.

Mr. Toy said that matching funds would provide for administrative costs to manage the PBID. If the PBID is formed, funds would not become available until January 2007. Therefore, the Downtown Association needs funds to continue its operations until that time. It was his belief that funding would be an ongoing request at various levels. He said that the Downtown Association has indicated that should

the PBID become successful, they would consider the formation of a business improvement district (BID). The formation of the BID would become an assessment on the businesses/property owners and would be additional funding to help offset the operational costs. He informed the Council that one Downtown Association proposal would be to have the City Agency match the \$75,000 and that the Agency is to continue to pay \$23,000 as its PBID charge; resulting in \$98,000 in contributions from the City Agency.

Council/Agency Member Sellers confirmed that the Community & Economic Development Committee reviewed the proposal and raised similar concerns. The Committee felt that in order for the PBID to pass, it is seen to be a multi phased process such that the Business Improvement District might be the next step. He said that it made sense to have a matching fund process. He indicated that the Committee talked about the extension of the Redevelopment Agency and what this would mean. He stated that the Downtown Association expressed concern that should the Redevelopment Agency not get extended, the City would not be able to continue with a financial commitment. He said that there are resources to make sure that in the short term, the City can fulfill the commitment, if made. This is another reason to extend the Redevelopment Agency.

Mayor Pro Tempore/Vice-Chair Grzan opened the floor to public comment.

Chuck Dillmann stated that he came to Morgan Hill in 1982 and felt that a lot of the buildings look as bad today as they did then. He did not believe it is attractive for individuals to come to the downtown. He indicated that the Willow Glen area does not have better parking than Morgan Hill, but has wall to wall people patronizing the downtown area. He said that Willow Glen has merchants that cater to their niches and have a tremendous business during the day and night. He did not believe it was appropriate to have the City pay into the PBID as well as to supplement this program. He recommended the Downtown Association go back and look at where they can build a business and operate their businesses. He stated that he does not feel threatened by the darkness of the downtown. He acknowledged that a lot of cities are well lit because businesses are open and their lights turned on. One thing that leaves a bad atmosphere in the downtown is the excessive police patrol. He did not believe this excess police patrol is warranted in the downtown as he does not see or hear about crimes taking place in the downtown

Rosy Bergin said that with the PBID, businesses will be paying a little bit more, but will be receiving something in the downtown area in return. She said that she would be paying 1½ cents per square foot being in the downtown core. She felt this was little to pay for the benefits that she would be receiving. If the PBID passes, the Downtown Association Board will be deciding how the money is to be spent. However, it is her understanding that funding would focus on physical infrastructures such as maintenance of lights and benches. This funding would also include pedestrian safety and advocacy for the downtown area. She urged the Council to support the PBID

Gary Walton, president of Downtown Association and steering committee chair for the PBID, informed the Council that they obtained 57% of the private sector property owners in the downtown. Add the City to this, and it results in 70% in support of the PBID; a significant part of the downtown. He informed the Council that the Downtown Association conducted its own community conversations that focused on the downtown property owners. The Downtown Association took their suggestions and restructured

their plan; returning to the property owners with a plan they could accept. He stated that this was an accomplishment of the economic restructuring committee and other members of the PBID steering committee. He felt this sends a message that property owners are willing to come to the table and be partners. This is a good first step, but not the final solution. He felt there is an opportunity to grow the downtown, the economy of the downtown, and the PBID as time goes on. He urged the Council to adopt the resolution and initiate the special assessment proceedings in order to vote on the PBID. He made it clear that the property owners are taxing themselves for their benefit and that it is a voluntary action being made by the property owners with no coercion. The property owners understand that these funds will benefit them and that this is not a tax being forced upon property owners by the City.

No further comments were offered.

Council/Agency Member Sellers clarified that the property owners would control the funds.

Council/Agency Member Tate stated that he strongly believes the Downtown Association is vital to the success of the downtown that everyone is striving for. Without a Downtown Association, the City would not have the partnership needed to make the downtown work. He noted that the Downtown Association is doing what the Council asked it to do; trying to find a way to be more self-reliant. He expressed concern that it is being stated that \$75,000 is enough to establish a downtown association as he did not believe this amount was sufficient. He now understands that the amount is \$150,000. However, he expressed concern that the private sector is only paying 35% while the City is paying 65% into the PBID. He stated that he would support the action before the Council this evening, but asked the Downtown Association to focus on getting the percentage more balanced as the PBID moves forward.

**Action:**      *On a motion by Council/Agency Member Sellers and seconded by Council/Agency Member Tate, the City Council/Agency Board, on a 4-0 vote with Mayor/Chairman Kennedy absent, **Directed** the City Manager/Executive Director to sign the Petition in Favor of the Assessment.*

**Action:**      *On a motion by Council/Agency Member Sellers and seconded by Council/Agency Member Tate, the City Council/Agency Board, on a 4-0 vote with Mayor Kennedy absent, **Adopted** Resolution No. 6022, the Resolution of Intent to Initiate the Special Assessment Proceedings.*

**Action:**      *On a motion by Council/Agency Member Sellers and seconded by Council/Agency Member Tate, the City Council/Agency Board, on a 4-0 vote with Mayor Kennedy absent, **Directed** the City Manager/Executive Director to Sign the Ballot in Favor of the Assessment.*

### **30. CITY COUNCIL AND REDEVELOPMENT AGENCY SEPTEMBER 2006 MEETING SCHEDULE**

Council Services and Records Manager Torrez informed the Council that the Annual League of California Cities Conference is scheduled to take place September 6-9, 2006. She indicated that the Council/Redevelopment Agency has a regularly scheduled meeting on September 6, conflicting with the

first day of the League Conference. She inquired whether the Council/Agency Board would like to hold its regularly scheduled September 6 meeting, cancel this meeting, or schedule a special meeting. She informed the Council that by policy, it canceled its first and third Wednesday meetings in August (August 2 and August 16). The only meeting the Council is scheduled to hold in August is the August 23 meeting.

Council/Agency Member Sellers stated that in light of the Council's adopted policy regarding its legislative recess in August, he would support canceling the September 6 meeting and scheduling a September 13 Special City Council/Redevelopment Agency meeting.

**Action:**        *On a motion by Council/Agency Member Sellers and seconded by Council/Agency Member Carr, the City Council/Agency Board, on a 4-0 vote with Mayor/Chairman Kennedy absent, **Canceled** the September 6 meeting and **Scheduled** a Special Meeting on September 13, 2006.*

## ***City Council and Redevelopment Agency Action***

### **CLOSED SESSIONS:**

Council/Agency Member Sellers stated that given the lateness and the importance of the closed session discussion, he inquired whether there is a time issue associated with the Closed Session item; noting that Mayor Kennedy was not in attendance to participate in this closed session item.

Council/Agency Member Tate requested that staff agendaize the Council's rule for closed sessions. He felt there was some confusion as to whether closed sessions should be scheduled before or after the regular meeting sessions. He recommended the Council further clarify the scheduling of closed session items.

City Manager/Executive Director Tewes noted that at the Council's January 2006 retreat, the Council determined it would change the meeting schedule such that every meeting would be a regular meeting. The second part of the direction was to schedule closed sessions at 6:00 p.m. only when there was a significant item that might involve outside counsel and required an extended conversation, or when the meeting was anticipated to be a lengthy one. He stated that staff did not anticipate this meeting to be lengthy. Therefore, staff scheduled the closed session in accordance with the policy at the end of the agenda.

Council/Agency Member Tate stated his preference for scheduling closed sessions prior to the regularly scheduled meeting time.

City Manager/Executive Director Tewes noted the Council has adopted a formal policy regarding Council meetings and that it would be necessary to revise this formal policy to reflect the consensus the Council reached in January.

Council/Agency Member Sellers recommended the policy reflect the type of closed session items to be discussed. If it is a 15 minute informational item, the Council may not have a full hour of closed session



items. Other times, it may not be appropriate to schedule closed sessions after 10:00 p.m. as it starts to get difficult to have a meaningful discussion. Therefore, scheduling closed sessions would depend on the degree of engagement necessary on the part of staff and the Council.

Council/Agency Member Tate felt that there would be an issue with some Council Members being able to attend a 5:30 p.m. closed session. Therefore, 6:00 p.m. would be the earliest time the Council could hold closed sessions.

Council/Agency Member Sellers noted that if there is 90-minutes worth of closed sessions, it would be difficult for staff to schedule closed sessions at 6:00 p.m. prior to the scheduled 7:00 p.m. meeting.

Upon review of the timeline associated with the performance evaluation of the City Manager, Mayor Pro Tempore/Vice-chair Grzan indicated that the closed session could be deferred to June 21, 2006.

**Action:**        *By consensus, the City Council/Redevelopment Agency **Continued** the closed session to 6:00 p.m. on June 21, 2006.*

**1.**

**PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Authority	Government Code 54957
Public Employee Performance Evaluation:	City Manager
Attendees:	City Council, City Manager

**FUTURE COUNCIL-INITIATED AGENDA ITEMS**

No items were identified.

**ADJOURNMENT**

There being no further business, Mayor Pro Tempore/Vice-Chair Grzan adjourned the meeting at 10:01 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, CITY CLERK/AGENCY SECRETARY**



**REDEVELOPMENT AGENCY/CITY COUNCIL  
STAFF REPORT**

**MEETING DATE: JUNE 21, 2006**

**TITLE: ADOPTION OF SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY FY 2006/07  
BUDGET**

**RECOMMENDED ACTIONS:**

- 1) **Approve the attached 2006/07 SCRWA budget**

**Agenda Item #14**

**Prepared By:**

A handwritten signature in black ink, likely belonging to the Budget Manager.

**Budget Manager**

**Approved By:**

**Finance Director**

**Submitted By:**

**EXECUTIVE SUMMARY:**

The Joint Exercise of Powers Agreement Creating the South County Regional Wastewater Authority, dated May 19, 1992, provides in Section 4.2 that "...After the (SCRWA) Board preliminarily approves of a general budget, it shall be submitted immediately to the City Councils of the Member Agencies by July 1 following preparation of each budget. A copy of the budget shall be filed with each Member Agency..." City staff is presenting to the City Council for approval the budget approved by SCRWA on June 13, 2006. SCRWA projects the following amounts as Morgan Hill's share of costs:

<b>SCRWA – Morgan Hill's Share</b>	<b>2005/06</b>	<b>2006/07</b>
Operations & Maintenance	2,553,244	2,410,925
Construction	2,880,811	690,727
<b>Total</b>	<b>\$5,434,055</b>	<b>\$3,101,652</b>

**FISCAL IMPACT:**

The City of Morgan Hill's Proposed FY 2006/07 Operating and CIP Budget includes amounts for Morgan Hill SCRWA operations and construction costs. Exhibit A shows SCRWA's approved 2006-11 Financial Plan.

S.C.R.W.A. - DEBT SERVICE

NUMBER

838

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Bal. Forward	4,579,063	4,579,063	4,579,063	4,579,063	4,579,063	4,579,063
Revenue	4,401,264	4,399,512	4,400,169	4,398,151	4,390,201	4,389,681
Expenditure	4,401,264	4,399,512	4,400,169	4,398,151	4,390,201	4,389,681
						4,579,063

FUND

S.C.R.W.A.-CONSTRUCTION

NUMBER

839

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Bal. Forward	323,174**	(320)	(320)	(320)	(320)	(320)
Revenue	10,505,463	1,648,514	6,890,106	9,106,588	9,992,340	19,984,680
Expenditure	10,505,463	1,648,514	6,890,106	9,106,588	9,992,340	19,984,680
** Deferred Revenue from SCVWD						(320)

FUND

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

NUMBER

840

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
BOY Avail.Resources	2,246,765	2,496,765	2,746,765	2,996,765	3,246,765	3,496,765
BOY Deprec.Reserve	2,246,765	2,496,765	2,746,765	2,996,765	3,246,765	3,496,765
BOY Net Avail. Res.	0	0	0	0	0	0
Revenue	6,293,839	6,527,928	6,893,293	7,457,067	7,905,186	7,962,152
Expend. Excl. Dep.	6,043,839	6,277,928	6,643,293	7,207,067	7,655,186	7,712,152
EOY Avail.Resources	2,496,765	2,746,765	2,996,765	3,246,765	3,496,765	3,746,765
EOY Deprec.Reserve*	2,496,765	2,746,765	2,996,765	3,246,765	3,496,765	3,746,765
Depreciation Credit	0	0	0	0	0	0
EOY Net Deprec.Res.	2,496,765	2,746,765	2,996,765	3,246,765	3,496,765	3,746,765
EOY Net Avail. Res.	0	0	0	0	0	0

\*\$250,000 yearly depreciation is added to the previous net year's reserve

SCRWA

800 Revenue Totals	21,200,566	12,575,953	18,183,568	20,961,806	22,287,726	32,336,513
800 Expense Totals	21,200,566	12,575,954	18,183,568	20,961,806	22,287,727	32,336,513

VIII. A.

6/13/06 AGENDA

## SCRWA Construction Fund (839) Calculation

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
<b>Expenditures</b>						
Total Capital Outlay	10,453,197	1,640,312	6,855,827	9,061,282	9,942,627	19,885,254
OH (.5%)	52,266	8,202	34,279	45,306	49,713	99,426
Total Expenditure	10,505,463	1,648,514	6,890,106	9,106,588	9,992,340	19,984,680
<b>Revenues</b>						
SCVWD Reimb.	3,820,949	0	0	0	0	0
Calpine Revenue		0				
Total Reimb.	3,820,949	0	0	0	0	0
Morgan Hill (41.9%)	2,800,811	690,727	2,886,954	3,815,661	4,186,791	8,373,581
Gilroy (58.1%)	3,883,703	957,786	4,003,152	5,290,928	5,805,550	11,611,099
Cities Revenue	6,684,514	1,648,514	6,890,106	9,106,588	9,992,340	19,984,680
Total Revenue	10,505,463	1,648,514	6,890,106	9,106,588	9,992,340	19,984,680
Transfer fr Sewer Dev. Fund	3,883,703	957,786	4,003,152	5,290,928	5,805,550	11,611,099

06/13/06 AGENDA

## SCRWA (840) Cost Sharing Calculation

	2005-06	2006-07	2007-08	2008-09	2009-10	2010
<b>Total Expense</b>	6,293,839	6,527,928	6,643,293	7,457,067	7,905,186	7,962,152
Depreciation	250,000	250,000	250,000	250,000	250,000	250,000
Expense (-) Dep.	6,043,839	6,277,928	6,443,293	7,207,067	7,655,186	7,712,152
<b>Other Rev.</b>						
Charges for Services	183,731	183,731	187,366	191,073	194,854	198,711
Use of Money & Property Rentals	165,937	180,929	197,171	207,171	217,171	227,171
Sale of Assets	0					
Revenue Credit	349,668	364,660	384,537	398,244	412,025	425,882
<b>Net Total Expense</b>	5,944,171	6,163,268	6,508,756	7,058,823	7,493,161	7,536,270
<b>Cost Distribution</b>						
<b>Gilroy O &amp; M</b>	3,245,677	3,607,093	3,577,922	3,892,377	4,140,674	4,165,318
Gilroy Depreciation (58.1%)	145,250	145,250	145,250	145,250	145,250	145,250
<b>Gilroy Total</b>	3,390,927	3,752,343	3,723,172	4,037,627	4,285,924	4,310,568
<b>Morgan Hill O &amp; M</b>	2,448,494	2,306,175	2,680,834	2,916,446	3,102,487	3,120,952
Morgan Hill Depreciation (41.9%)	104,750	104,750	104,750	104,750	104,750	104,750
<b>Morgan Hill Total</b>	2,553,244	2,410,925	2,785,584	3,021,196	3,207,237	3,225,702
<b>Total</b>	5,944,171	6,163,268	6,508,756	7,058,823	7,493,161	7,536,270
<b>Total Revenue</b>	6,293,839	6,527,928	6,643,293	7,457,067	7,905,186	7,962,152
<b>Cost Distribution Percent</b>						
Gilroy	57.00%	61.00%	57.17%	57.17%	57.17%	57.17%
Morgan Hill	43.00%	39.00%	42.83%	42.83%	42.83%	42.83%

06/13/06 AGENDA

SOUTH COUNTY  
REGIONAL  
WASTEWATER  
AUTHORITY

FINANCIAL PLAN

2006/2007 to 2010/2011

# SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

## FINANCIAL PLAN

2006/2007 to 2010/2011

## BOARD OF DIRECTORS

Al Pinheiro, Chairman

Dion Bracco

Mark Grzan

Dennis Kennedy

Russ Valliquette

\*\*\*

Jay Baksa, Authority Manager



**SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY**

7351 ROSANNA ST

GILROY, CA 95020

(408) 848-0400

May 9, 2006

To: South County Regional Wastewater Authority Board of Directors

I respectfully submit the 2006-2011 South County Regional Wastewater Authority Financial Plan and 2006 Capital Improvement Budget for your consideration. These documents are based upon best estimates of available resources and necessary expenditures.

There are two words that fairly characterize the 2006-2011 SCRWA Financial Plan; plan implementation. Three years ago a comprehensive master plan was approved by the SCRWA Board of Directors that addressed the major capital needs of the facility over the next 20 years.

The thrust of the SCRWA Facilities Master Plan was to meet the short and long terms needs in four specific infrastructure/facility areas: (1) treatment capacity, (2) effluent disposal capacity, (3) recycled water capacity, and (4) solids handling. The implementation of the Master Plan started approximately a year ago with the expansion of the recycled water facility. This project should be completed by late summer. The 2006 Capital Improvement portion of the 2006-2011 Financial Plan continues to implement the projects outlined in the Master Plan with the largest project being the expansion of the treatment facilities at the end of the decade.

#### Financial Plan Format

This year's five year Financial Plan uses the same fund format as in the past. SCRWA has three funds: (1) 838-Debt Service, which deals with the combined Gilroy and Morgan Hill debt for past and future STP Improvements, (2) 839-Construction, which deals with the long term expansion and improvements to the sewer treatment plant and reclamation system, and (3) 840-Operations, which accounts for the administration, operations, and maintenance of the sewer plant and the pretreatment program.

#### Overhead/Cost Allocations

Every year, staff analyzes and updates the Board approved Ralph Anderson and Associates Administrative Overhead Methodology Report. In 2006-2007 it is projected that the general overhead will be \$298,076. The projected staffing is 1.80 full time position equivalents, which is the same as it was in last year's fiscal blueprint. The overhead rate for 2006-2007 is 4.6%, which is virtually identical to last year's rate.



## SCRWA Budget Message

May 9, 2006

Page 2

The 2006-2011 Financial Plan continues to implement Board policy and direction by budgeting \$250,000 for the continued building of a reserve fund. The philosophy of this reserve is two-fold: (1) it gives the SCRWA some fiscal flexibility in case of an emergency or major facility failure, and (2) as the reserve increases, the interest (estimated at approximately \$93,000 for next fiscal year) earned on the idle funds is used by the SCRWA to reduce each City's annual contribution.

The operations cost distribution is recommended at 61% Gilroy, 39% Morgan Hill for the fiscal year of 2006-2007. Per SCRWA Board policy, this is based from the actual plant and cities' flow data from 2005.

Since the 61%/39% split is a major change from past years, the fiscal years of 2007-2008 and beyond, are projected based on the average of the last six years of flow data. I recommend that we use these figures until we can see whether or not the 61%/39% split is a one time occurrence or the norm. Finally, this Plan continues to utilize the agreed upon 58.1%-41.9% division for long-term capital construction costs (Fund 839).

### Debt Service Fund (838)

The SCRWA continues to pay both cities' debt service for the construction of the Phase I sewer plant from the early 1990's. The City of Gilroy will not need to bond for any of the planned improvements over the next several years. If the City of Morgan Hill has to bond for its share of the cost of any of the scheduled SCRWA improvements, this portion of the Financial Plan will be changed to reflect Morgan Hill's plans.

### Construction Fund Improvements (839)

Over the next 20 years, the following work is planned in the treatment, disposal, reclamation and solids handling areas:

- Expand current plant treatment capacity to 12.75 mgd (completion in 2012) and to 17 mgd in 2026-2027.
- Implement a river discharge disposal program to increase total disposal capacity to 19.8 mgd (completion in 2009).
- Upgrade and expand the reclamation plant to 9 mgd (currently under construction) and to 15 mgd (completion in 2020).
- Upgrade and expand the solid handling facilities for increased capacity (two projects-2007-2012 and 2022-27).

Operations and Maintenance (840)

The two largest cost elements of the operations and maintenance portions of this fund are OMI's annual operations contract and power. As has been their philosophy in the past, OMI's projected expenditures relate a sound and focused approach to the operations of the plant. OMI has a detailed report (see tab "OMI REPORT") that explains their proposed work plan.

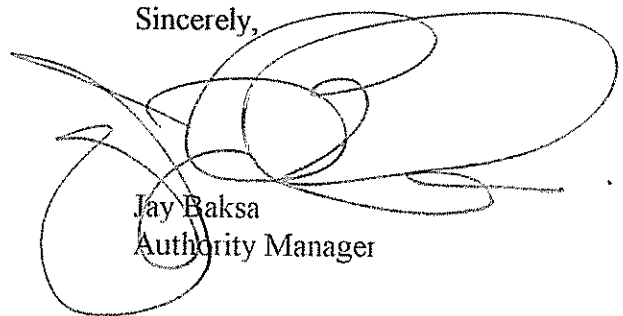
Conclusion

The popular saying of an old television show goes like this, "I love it when a plan comes together." That is exactly where the SCRWA is. The well thought out Facilities Master Plan is in place, and implementation is progressing. Finally, this fiscal plan ensures that the operations and maintenance allocations are sufficient to maximize the efficient day to day operations of the total facility.

This budget is only as good as the people managing it. The surveillance that our Department and Division Heads use on their portion of the budget is commendable and vital to the operation of SCRWA. In 2006-2007 this strict control will again be one of our strong management points.

Preparation of this Financial Plan and CIB would have been impossible without the hard work and cooperation on the part of every one of my Department Heads, Division Heads, and clerical staff. I would like to give very special thanks to Susan Johnson, Karen Pogue, Pat Bentson, Rosemary Guerrero, and Cindy Murphy for their creativity, enthusiasm and hard work in putting this document together.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Jay Baksa  
Authority Manager



OMI Gilroy  
1500 Southside Drive  
Gilroy, CA 95020  
Tel 408.848.0480  
Fax 408.842.0873

March 28, 2006

Mr. Jay Baksa  
South County Regional Wastewater Authority  
7351 Rosanna Street  
Gilroy, CA 95020

Re: Proposed FY 2006-07 Operating Budget  
Wastewater Facility Operations

Dear Mr. Baksa:

Enclosed is the proposed FY 2006-2007 operating budget for the wastewater treatment facility. The proposed budget is using the same format as the current budget.

**Changes Affecting the November 2005 Budget Estimate**

- o Proposed budget amount is increased approximately \$41,000
- o Increases the 840 (2666) Operations budget developed in November 2005
- o Due to changes in scope as requested by SCRWA staff as well as updated labor and benefits calculations in the newest OMI budgeting model
- o Scope changes include the Morgan Hill flow meter service and the electric costs for the St. Andrews Circle (Eagle Ridge) valve location
- o The change has also affected the 5 year projection as found in Table 4.

**Table Descriptions and Details**

Table 1 details the current 2005-2006 budget and estimated actual cost in comparison with the proposed 2006-2007 budget. The estimated actual cost includes all anticipated seasonal variations in costs. The subsequent tables will provide other updated comparisons with the current budget and the estimated actual costs.

In Table 2 you will find that most of the expenditures are on track. A surplus is expected for this year providing that no costly, catastrophic emergency arises. It must be noted that the budget does not encompass funds that would be adequate to cover catastrophic failure costs.

Due to the large rebate in the previous contract year, we had reworked the budget line items to economize where possible. The result was a practically flat funded budget which



showed no increase in the cost of operations. For next year, we are proposing increases to cover the costs of increased labor costs and the cost increases associated with the expanded recycled water systems.

The surplus in the solids handling costs are largely due to the new agreement between Phillips Services and SCRWA which reduced the disposal cost for sludge by 20%.

As the facility continues to age, repairs typically become more costly. We have attempted to minimize the aging with an aggressive approach to plant maintenance. Preventive maintenance will continue to be the cornerstone of our maintenance process in an attempt to obtain full useful life from each piece of equipment.

The required, five-year maintenance plan will be revised in November to provide an updated picture of anticipated maintenance needs. OMI staff will continue to assist the SCRWA staff in developing a Capital Improvement Budget for the SCRWA facilities.

Table 3 outlines the differences between the estimated actual costs for the current fiscal year and the 2006-07 budgets. We have added some funds for additional scope items as requested by SCRWA.

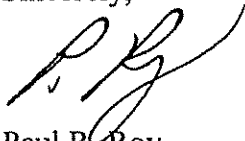
Finally, Table 4 shows a five-year outlook of projected budgets. The budgets for these years allow for the anticipated increase in operations and maintenance demands at the SCRWA facilities. It is our intention to minimize O&M costs and provide SCRWA with a stable operations budget throughout this period.

#### **Anticipated Challenges**

During the next year, the facility will undergo additional changes incurred by the expansion of the recycled water facilities. We will attempt to operate the new equipment and systems efficiently as expected by the SCRWA Board and Staff. We will also continue to minimize sludge processing costs by optimizing the improvements to the belt filter presses.

As always, the OMI staff will continue to strive for the most cost-effective approach in operating and maintaining the facilities while minimizing the financial burden on SCRWA users.

Sincerely,



Paul R. Roy  
Project Manager

cc: Rick Smelser, Gilroy City Engineer  
Saeid Vaziry, Gilroy Sanitary Engineer

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY  
PROPOSED ANNUAL OPERATING BUDGET

FY 2006-2007

	FY 2006-2007 BUDGET
A. DIRECT COST	
1. Labor and Benefits	\$1,660,744
2. Utilities	\$92,100
3. Chemicals	\$153,750
4. Fuels and Lubricants	\$35,040
5. Outside Services	\$144,050
6. Laboratory Supplies	\$24,000
7. Repairs, Inc. Outside Repair Svcs.	\$248,900
8. Equipment Rental	\$20,740
9. Maintenance Supplies	\$35,400
10. Office Supplies and Support	\$83,707
11. Roads, Levees, and Fences	\$75,200
TOTAL	\$2,573,631
 B. INDIRECT COST, OVERHEAD & MGT. FEE	 \$629,330
 C. BASELINE COST (A+B)	 \$3,202,961
 D. ELECTRICAL	 \$1,230,000
 E. SOLIDS HANDLING & TRANSPORT	 \$637,800
 F. ANNUAL BUDGET (C+D+E)	 \$5,070,761

TABLE 1

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY  
COMPARATIVE ANNUAL OPERATING BUDGETS

	FY 2005-2006 AND FY 2006-2007			DIFFERENCE EST. ACTUAL TO FY 2006-2007 BUDGET
	FY 2005-2006 BUDGET	FY 2005-2006 ESTIMATED ACTUAL COSTS	FY 2006-2007 BUDGET	
A. DIRECT COST				
1. Labor and Benefits	\$1,595,370	\$1,629,284	\$1,660,744	\$31,460
2. Utilities	\$77,700	\$62,744	\$92,100	\$29,356
3. Chemicals	\$152,050	\$134,186	\$153,750	\$19,564
4. Fuels and Lubricants	\$29,040	\$34,551	\$35,040	\$489
5. Outside Services	\$83,474	\$130,090	\$144,050	\$13,960
6. Laboratory Supplies	\$24,000	\$23,356	\$24,000	\$644
7. Repairs, Inc. Outside Repair Svcs.	\$280,000	\$232,569	\$248,900	\$16,331
8. Equipment Rental	\$20,740	\$13,313	\$20,740	\$7,427
9. Maintenance Supplies	\$35,400	\$30,250	\$35,400	\$5,150
10. Office Supplies and Support	\$75,082	\$65,587	\$83,707	\$18,120
11. Roads, Levees, and Fences	\$75,200	\$75,000	\$75,200	\$200
TOTAL	\$2,448,056	\$2,430,930	\$2,573,631	\$142,701
B. INDIRECT COST, OVERHEAD & MG	\$586,893	\$586,893	\$629,330	\$42,437
C. BASELINE COST (A+B)	\$3,034,949	\$3,017,823	\$3,202,961	\$185,138
D. ELECTRICAL	\$1,195,000	\$1,110,700	\$1,230,000	\$119,300
E. SOLIDS HANDLING & TRANSPORT	\$637,800	\$553,980	\$637,800	\$83,820
F. ANNUAL BUDGET (C+D+E)	\$4,867,749	\$4,682,503	\$5,070,761	\$388,258

TABLE 2

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY  
FISCAL YEAR 2005-2006 BUDGET TO ESTIMATED YEAR END COST COMPARISON

	FY 2005-2006 BUDGET	FY 2005-2006 ESTIMATED ACTUAL COSTS	DIFFERENCE FY 2005-2006 BUDGET TO EST. ACTUAL COSTS	% CHANGE
BUDGET TOTALS:				
OPERATIONS (1-12 below)	\$3,034,949	\$3,017,823	(\$17,126)	-1%
ELECTRICITY (13 below)	\$1,195,000	\$1,110,700	(\$84,300)	-8%
SOLIDS HANDLING & TRANSPORT (14)	\$637,800	\$553,980	(\$83,820)	-15%
TOTAL:	\$4,867,749	\$4,682,503	(\$185,246)	-4%
OPERATIONS DIRECT COST CHANGES:				
1 Labor and Benefits	\$1,595,370	\$1,629,284	\$33,914	2%
2 Utilities	\$77,700	\$62,744	(\$14,956)	-24%
3 Chemicals	\$152,050	\$134,186	(\$17,864)	-13%
4 Fuels and lubricants	\$29,040	\$34,551	\$5,511	16%
5 Outside Services	\$83,474	\$130,090	\$46,616	36%
6 Laboratory Supplies	\$24,000	\$23,356	(\$644)	-3%
7 Repairs, Incl. Outside repair svcs	\$280,000	\$232,569	(\$47,431)	-20%
8 Equipment Rental	\$20,740	\$13,313	(\$7,427)	-56%
9 Maintenance Supplies	\$35,400	\$30,250	(\$5,150)	-17%
10 Office supplies and support	\$75,082	\$65,587	(\$9,495)	-14%
11 Roads, Levees, and Fences	\$75,200	\$75,000	(\$200)	0%
INDIRECT COST, OVERHEAD, MGT. FEE CHANGES:				
12 Indirect Costs and Fee	\$586,893	\$586,893	\$0	0%
ELECTRICAL COST CHANGES:				
13 Electricity	\$1,195,000	\$1,110,700	(\$84,300)	-8%
14 Solids Handling and Transport	\$637,800	\$553,980	(\$83,820)	-15%

TABLE 3

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY  
2005-2006 ESTIMATED YEAR END COST TO PROPOSED FISCAL YEAR 2005-2006 BUDGET COMPARISON

	FY 2005-2006 ESTIMATED ACTUAL COSTS	FY 2006-2007 BUDGET	DIFFERENCE EST. ACTUAL TO FY 2006-2007 BUDGET	% CHANGE
BUDGET TOTALS:				
OPERATIONS (1-12 below)	\$3,017.823	\$3,202.961	\$185,138	6%
ELECTRICITY (13 below)	\$1,110.700	\$1,230.000	\$119.300	11%
SOLIDS HANDLING & TRANSPORT (14)	\$553.980	\$637.800	\$83.820	15%
TOTAL:	\$4,682.503	\$5,070.761	\$388.258	
OPERATIONS DIRECT COST CHANGES:				
1 Labor and Benefits	\$1,629.284	\$1,660.744	\$31,460	2%
2 Utilities	\$62.744	\$92,100	\$29,356	47%
3 Chemicals	\$134,186	\$153,750	\$19,564	15%
4 Fuels and lubricants	\$34.551	\$35,040	\$489	1%
5 Outside Services	\$130.090	\$144,050	\$13,960	11%
6 Laboratory Supplies	\$23,356	\$24,000	\$644	3%
7 Repairs. Incl. Outside repair svcs.	\$232.569	\$248.900	\$16.331	7%
8 Equipment Rental	\$13.313	\$20.740	\$7.427	56%
9 Maintenance Supplies	\$30.250	\$35,400	\$5,150	17%
10 Office supplies and support	\$65,587	\$83.707	\$18.120	28%
11 Roads, Levees, and Fences	\$75.000	\$75.200	\$200	0%
INDIRECT COST, OVERHEAD, MGT. FEE CHANGES:				
12 Indirect Costs and Fee	\$586.893	\$629.330	\$42.437	7%
ELECTRICAL COST CHANGES:				
13 Electricity	\$1,110,700	\$1,230.000	\$119.300	11%
14 Solids Handling and Transport	\$553.980	\$637.800	\$83.820	15%



TABLE 4

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY  
ESTIMATED 5 YEAR OPERATING COSTS

	FY 2005-06 Estimated	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
MUNICIPAL						
OPERATIONS	3,017,823	3,202,961	3,413,109	3,633,765	3,815,453	4,006,226
ELECTRICITY	1,110,700	\$1,230,000	1,316,100	1,408,227	1,506,804	1,582,507
BIO-SOLIDS DISPOSAL	553,980	\$637,800	\$669,690	\$703,175	\$738,333	\$775,250
TOTAL	\$4,682,504	\$5,070,761	\$5,398,899	\$5,745,166	\$6,060,590	\$6,363,982



**REDEVELOPMENT AGENCY/CITY COUNCIL  
STAFF REPORT**

**MEETING DATE: JUNE 21, 2006**

**TITLE: ADOPTION OF FISCAL YEAR 2006/07  
OPERATING AND CAPITAL IMPROVEMENT  
BUDGET**

**RECOMMENDED ACTIONS:**

- 1) **Approve Resolution of the City of Morgan Hill Adopting the Fiscal Year 2006/07 Operating and CIP Budget and Adopting Appropriations Limit for Fiscal Year 2006/07**
- 2) **Approve Resolution of the Redevelopment Agency of Morgan Hill Adopting the Fiscal Year 2006/07 Agency Budget**
- 3) **Approve the 5 Year Capital Improvement Plan**

**EXECUTIVE SUMMARY:**

On Friday May 12, 2006, City staff distributed the Proposed FY 2006/07 Operating and Capital Improvement Budget to the City Council. On May 19, staff conducted an all day Sustainable Budget Strategy Workshop. On June 7 the City Council conducted a public hearing for the budget. At the June 7 City Council meeting, the City Council also approved increasing the Proposed 2006/07 by \$70,000 in the General Fund for additional Community Conversation programming and increased City Connection marketing.

Approval of the attached two Resolutions will adopt the City and Redevelopment Agency budgets including the above revision and the Fiscal Year 2006/07 Appropriations Limit.

As requested by the State Department of Housing & Community Development, the Redevelopment Agency has included, within the RDA resolution, a finding that planning and administrative costs attributable to the Housing 20% Set-Aside fund are necessary and proportionate to amounts proposed for actual housing activities during the fiscal year.

**FISCAL IMPACT:**

The Proposed FY 2006/07 Operating and Capital Improvement Budget is \$119,810,421. The fiscal impact is discussed within the City Manager's budget message, which is located at the front of the Budget document. Sufficient resources are available to finance the proposed budget. Exhibit A provides a fund balance summary of all operating and capital budgets.

**Agenda Item # 15**

**Prepared By:**

**Budget Manager**

**Approved By:**

**Finance Director**

**Submitted By:**

**City Manager**

## EXHIBIT A

## FY 2005/06 PROJECTED FUND BALANCE

		07/01/05					06/30/06
Fund	Description	Working Fund Bal	Projected Revenues	Projected Trans In	Projected Trans Out	Projected Expenditure	Projected Fund Bal
010	General Fund	9,954,543	19,180,054	573,210	306,095	20,069,046	4,537,652
010	General Fund Reserve	-	-	-	-	-	4,795,014
202	Street Fund	1,269,242	4,282,730	700,000	-	5,418,027	833,945
204/205	Supplemental Law Enforcement	256,489	108,540	-	175,000	519	189,510
206	Community Development Fund	2,366,017	3,501,619	-	20,000	3,436,172	2,411,464
207	General Plan Update Fund	326,302	161,248	120,000	-	112,506	495,044
210	Community Rec Centers Startup Fu	203,282	7,140	100,000	154,440	-	155,982
215	CDBG Fund	0	184,264	-	15,000	169,264	0
216	CDBG Revolving Loan Fund	153,563	3,540	-	-	137,383	19,720
225	Asset Seizure Fund	8,930	350	-	-	300	8,980
229	Lighting & Landscape Fund	(4,556)	151,598	-	-	145,607	1,435
232	Environmental Programs Fund	779,095	484,801	-	100,000	329,048	834,848
234	Mobile Home Park Rent Fund	167,364	12,524	-	-	3,942	175,946
235	Senior Housing Trust Fund	250,448	8,590	-	-	75,000	184,038
236	Housing Mitigation Fund	2,583,840	303,620	-	-	15,000	2,872,460
240	Employee Assistance Fund	75,938	42,050	-	-	35,000	82,988
247	Environment Remediation Fund	580,489	22,810	-	-	32,680	570,619
301	Park Impact Fund	4,030,817	1,320,878	-	10,000	1,078,365	4,263,330
302	Park Maintenance Fund	3,554,128	325,629	-	135,000	51,755	3,693,002
303	Drainage Impact Fund	3,799,031	427,193	-	10,000	2,373	4,213,851
304	Drainage-Non AB1600 Fund	3,456,214	215,790	-	-	1,277,666	2,394,338
306	Open Space Fund	1,249,785	277,738	-	-	2,852	1,524,671
309	Traffic Impact Fund	3,351,415	1,281,462	-	20,000	1,899,173	2,713,704
311	Police Impact Fund	177,081	94,350	-	211,528	16,908	42,995
313	Fire Impact Fund	2,516,441	201,760	-	-	1,378	2,716,823
317	RDA Fund	12,111,330	25,948,838	-	-	36,374,374	1,685,794
327/328	Housing	6,764,865	5,062,211	10,000	-	5,268,749	6,568,327
342	MH Bus Ranch II AD CIP Fund	24,320	980	-	-	-	25,300
346	Public Facilities (Non AB1600) Fund	786,512	416,380	-	114,467	540,950	547,475
347	Public Facilities Impact Fund	504,550	312,497	-	-	71,336	745,711
348	Library Impact Fund	575,155	147,760	-	-	202	722,713
350	Undergrounding Fund	1,022,340	60,849	-	-	1,070,838	12,351
360	Community Rec. Centers Impact Fu	83,530	80,440	-	-	130,000	33,970
441	Police Facility Bond Debt Service	0	21,923	469,520	-	483,777	7,666
545	Cochrane Business Park AD Fund	191,801	183,246	-	-	192,961	182,086
551	Joleen Way AD Fund	17,421	30,213	-	-	36,184	11,450
640	Sewer Operations Fund	2,799,508	5,451,903	-	470,976	6,074,333	1,706,102
641	Sewer Impact Fund	6,485,039	2,246,554	-	10,000	2,265,531	6,456,062
642	Sewer Rate Stabilization Fund	4,573,148	666,583	-	-	2,114	5,237,617
643	Sewer System Replacement Fund	2,451,782	77,470	-	-	1,064,115	1,465,137
650	Water Operations Fund	4,001,399	7,639,879	219,776	1,130,000	7,426,569	3,304,485
651	Water Impact Fund	3,331,039	443,976	-	10,000	1,864,644	1,900,371
652	Water Rate Stabilization Fund	26,896	15,360	700,000	-	492	741,764
653	Water System Replacement Fund	3,433,123	105,590	-	-	2,370,904	1,167,809
730	Information Systems Fund	268,752	265,162	-	-	254,573	279,341
740	Building Maintenance Fund	1,042,699	1,700,207	-	851,490	1,247,852	643,564
741	Building Replacement Fund	0	17,380	851,490	-	-	868,870
745	CIP Administration Fund	13,715	1,417,040	-	-	1,342,320	88,435
760	Unemployment Insurance Fund	32,787	60,325	-	-	25,000	68,112
770	Worker's Comp Fund	321,902	813,003	-	-	386,920	747,985
790	Equipment Replacement Fund	2,986,322	557,747	-	-	483,345	3,060,724
795	General Liab. Insurance Fund	762,470	538,381	-	-	417,052	883,799
841	MH Business Ranch I AD Fund	264,578	-	-	264,578	-	0
842	MH Business Ranch II AD Fund	23,608	-	-	23,608	-	0
843	MH Business Ranch 1998 AD Fund	658,487	870,677	-	-	872,475	656,689
844	MH Ranch Reassessment 2004 Fu	647,676	594,706	288,186	-	615,482	915,086
845	Madrone BP (Tax Exempt) Fund	413,362	752,555	-	-	481,901	684,016
846	Madrone BP (Taxable) Fund	68,717	116,394	-	-	92,516	92,595
848	Tennant Ave Business Park AD Fu	466,509	18,900	-	-	6,727	478,682
881	Police Donation Trust Fund	21,829	800	-	-	4,300	18,329
<b>Total</b>		<b>98,283,240</b>	<b>89,236,207</b>	<b>4,032,182</b>	<b>4,032,182</b>	<b>105,778,500</b>	<b>81,740,947</b>

## EXHIBIT A

## FY 2006/07 PROJECTED FUND BALANCE

Fund	Description	07/01/06	Projected Revenues	Projected Trans In	Proposed Trans Out	Proposed Expenditure	06/30/07
		Projected Fund Bal					Proposed Fund Bal
010	General Fund	4,537,652	21,638,498	478,186	406,239	22,546,440	3,087,046
010	General Fund Reserve	4,795,014					5,409,625
202	Street Fund	833,945	2,112,640	750,000	-	3,279,417	417,168
204/205	Supplemental Law Enforcement	189,510	105,800	-	175,000	861	119,449
206	Community Development Fund	2,411,464	3,374,294	7,000	20,000	3,499,714	2,273,044
207	General Plan Update Fund	495,044	169,407	120,000	-	122,550	661,901
210	Community Rec Centers Startup Fu	155,982	6,110	100,000	110,000	-	152,092
215	CDBG Fund	0	353,610	-	15,000	338,610	0
216	CDBG Revolving Loan Fund	19,720	10,000	-	-	25,000	4,720
225	Asset Seizure Fund	8,980	360	-	-	-	9,340
229	Lighting & Landscape Fund	1,435	151,928	-	-	141,655	11,708
232	Environmental Programs Fund	834,848	456,661	-	150,000	417,220	724,289
234	Mobile Home Park Rent Fund	175,946	12,180	-	-	4,069	184,057
235	Senior Housing Trust Fund	184,038	6,930	-	-	23,800	167,168
236	Housing Mitigation Fund	2,872,460	282,230	-	-	2,015,000	1,139,690
240	Employee Assistance Fund	82,988	38,360	-	-	35,000	86,348
247	Environment Remediation Fund	570,619	22,000	-	-	52,351	540,268
301	Park Impact Fund	4,263,330	1,482,570	-	10,000	5,484,760	251,140
302	Park Maintenance Fund	3,693,002	622,588	-	135,000	561,000	3,619,590
303	Drainage Impact Fund	4,213,851	494,920	-	10,000	3,823,027	875,744
304	Drainage-Non AB1600 Fund	2,394,338	218,980	-	-	1,012,508	1,600,810
306	Open Space Fund	1,524,671	61,630	-	-	11,400	1,574,901
309	Traffic Impact Fund	2,713,704	1,108,800	-	20,000	1,727,378	2,075,126
311	Police Impact Fund	42,995	98,110	-	139,234	-	1,871
313	Fire Impact Fund	2,716,823	198,820	-	-	526,210	2,389,433
317	RDA Fund	1,685,794	20,749,555	-	-	22,295,027	140,322
327/328	Housing	6,568,327	4,689,313	9,850	-	10,123,309	1,144,181
342	MH Bus Ranch II AD CIP Fund	25,300	1,020	-	-	-	26,320
346	Public Facilities (Non AB1600) Fund	547,475	561,640	-	-	334,000	775,115
347	Public Facilities Impact Fund	745,711	272,320	-	-	281,354	736,677
348	Library Impact Fund	722,713	3,779,900	-	-	3,600,355	902,258
350	Undergrounding Fund	12,351	75,680	-	-	42,537	45,494
360	Community Rec. Centers Impact Fu	33,970	77,490	-	-	100,000	11,460
441	Police Facility Bond Debt Service	7,666	19,000	428,473	-	451,013	4,126
545	Cochrane Business Park AD Fund	182,086	188,768	-	-	182,194	188,660
551	Joleen Way AD Fund	11,450	32,200	-	-	32,244	11,406
640	Sewer Operations Fund	1,706,102	5,501,018	1,500,000	516,616	6,139,222	2,051,282
641	Sewer Impact Fund	6,456,062	1,919,380	-	10,000	7,648,937	716,505
642	Sewer Rate Stabilization Fund	5,237,617	181,610	-	1,500,000	814	3,918,413
643	Sewer System Replacement Fund	1,465,137	53,150	-	-	282,179	1,236,108
650	Water Operations Fund	3,304,485	8,016,764	264,180	830,600	7,905,536	2,849,293
651	Water Impact Fund	1,900,371	430,190	-	10,000	2,047,260	273,301
652	Water Rate Stabilization Fund	741,764	38,420	400,000	-	292	1,179,892
653	Water System Replacement Fund	1,167,809	23,670	-	-	1,104,431	87,048
730	Information Systems Fund	279,341	311,041	-	-	299,639	290,743
740	Building Maintenance Fund	643,564	1,961,285	-	-	1,935,015	669,834
741	Building Replacement Fund	868,870	383,725	-	-	12,000	1,240,595
745	CIP Administration Fund	88,435	1,337,340	-	-	1,397,375	28,400
760	Unemployment Insurance Fund	68,112	48,674	-	-	44,445	72,341
770	Worker's Comp Fund	747,985	782,780	-	-	508,700	1,022,065
790	Equipment Replacement Fund	3,060,724	585,361	-	-	633,724	3,012,361
795	General Liab. Insurance Fund	883,799	458,652	-	-	420,800	921,651
841	MH Business Ranch I AD Fund	0	-	-	-	-	0
842	MH Business Ranch II AD Fund	0	-	-	-	-	0
843	MH Business Ranch 1998 AD Fund	656,689	885,483	-	-	861,128	681,044
844	MH Ranch Reassessment 2004 Fu	915,086	609,286	-	-	575,204	949,168
845	Madrone BP (Tax Exempt) Fund	684,016	765,334	-	-	739,453	709,897
846	Madrone BP (Taxable) Fund	92,595	108,333	-	-	106,069	94,859
848	Tennant Ave Business Park AD Fur	478,682	19,520	-	-	506	497,696
881	Police Donation Trust Fund	18,329	750	-	-	-	19,079
<b>Total</b>		<b>81,740,947</b>	<b>87,896,078</b>	<b>4,057,689</b>	<b>4,057,689</b>	<b>115,752,732</b>	<b>53,884,293</b>

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF CITY OF  
MORGAN HILL ADOPTING THE FISCAL YEAR 2006/2007  
OPERATING AND CAPITAL IMPROVEMENT PROGRAM  
BUDGET AND ADOPTING THE FISCAL YEAR 2006/2007  
APPROPRIATIONS LIMIT**

WHEREAS, the City of Morgan Hill Budget for the 2006/07 fiscal year was prepared by the City staff and reviewed by the City Manager;

WHEREAS, the City of Morgan Hill Budget for the 2006/07 fiscal year was distributed to the City Council on May 12, 2006, was reviewed at a Public Workshop on May 19, 2006 and was further reviewed at a Public Hearing on June 7, 2006;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the City of Morgan Hill's 2006/07 appropriations limit is \$62,992,959, as shown on Schedule A. The appropriations for the 2006/07 fiscal year, as shown on Schedule B, which are subject to the appropriations limit as set forth in Article XIII B of the California Constitution, do not exceed the limit as stated above. The annual adjustment factors that were selected to calculate the 2006/07 limit were: 1) California Per Capita Personal Income adjustment of 1.0396%; and 2) City Population Growth of 1.0224%; and

WHEREAS, modifications and amendments to the adopted 2006/07 City of Morgan Hill Budget can only be made in accordance with the "Budget Administrative Policies" in the Proposed Budget;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morgan Hill finds that the Capital Improvement Program is in conformity with the General Plan; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morgan Hill does hereby approve and adopt the City of Morgan Hill 2006/07 Budget, Appropriations Limit and Appropriations Limit Adjustment Factors for Fiscal Year 2006/07.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 21<sup>st</sup> Day of June, 2006 by the following vote.

<b>AYES:</b>	<b>COUNCIL MEMBERS:</b>
<b>NOES:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSTAIN:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSENT:</b>	<b>COUNCIL MEMBERS:</b>

**🏛️ CERTIFICATION 🏛️**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. \_\_\_\_\_, adopted by the City Council at a Regular Meeting held on June 21, 2006.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

**SCHEDULE A**

**CITY OF MORGAN HILL  
SPENDING LIMIT CALCULATION  
FISCAL YEAR 2006/07**

**APPROPRIATIONS SUBJECT TO LIMIT**

Fiscal Year 2006/07 General Fund Revenues	\$22,116,684
Less Non Proceeds of Tax	7,147,516
Total appropriations subject to limits	<u>\$14,969,168</u>

**APPROPRIATIONS LIMIT**

Fiscal year 2005/06 appropriations limit	\$59,265,902
Plus Change Factor:	
A. Cost of living adjustment - CPI	1.0396
B. Population Adjustment	1.0224
Total Change Factor	1.06288704
Increase in appropriations limit	<u>3,727,057</u>
<b>FISCAL YEAR 2006/07 APPROPRIATIONS LIMIT</b>	<u><u>62,992,959</u></u>
Remaining appropriations capacity	48,023,791
Available capacity as a percent of appropriations limit	<u><u>76%</u></u>

**NOTES**

- Cost of Living adjustment is based on percentage change in California per capita income.
- Population adjustment is based on the greater of annual population change for the City of Morgan Hill or Santa Clara County.

**SCHEDULE B**

**CITY OF MORGAN HILL  
SPENDING LIMIT CALCULATION  
FISCAL YEAR 2006/07**

<b>REVENUE SOURCE</b>	<b>PROCEEDS OF TAX</b>	<b>NON PROCEEDS OF TAX</b>	<b>TOTALS</b>
Property Tax	\$5,478,305		5,478,305
Sales Tax	6,545,384		6,545,384
Transient Occupancy Tax	1,102,100		1,102,100
Franchise Revenue	1,039,752		1,039,752
Property Transfer Tax	437,750		437,750
Business License / Other Permits	172,237		172,237
Motor Vehicle in Lieu	193,640		193,640
Fines and Penalties		92,000	92,000
Use of Money and Property		991,443	991,443
Other Revenue / Other Agencies		\$358,067	358,067
Police and Fire Fees		852,425	852,425
Current Service Charges General Govt.		4,375,395	4,375,395
Transfers		478,186	478,186
Total	<u>\$14,969,168</u>	<u>\$7,147,516</u>	<u>\$22,116,684</u>
Percentage of Total	<u>68%</u>	<u>32%</u>	<u>100.00%</u>



**RESOLUTION NO. MHRA-**

**A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE  
CITY OF MORGAN HILL ADOPTING THE 2006/2007 ANNUAL  
AGENCY BUDGET**

WHEREAS, the Redevelopment Agency of the City of Morgan Hill Budget for the 2006/07 fiscal year was prepared by Redevelopment Agency and City staff and was reviewed by the City Manager/Executive Director;

WHEREAS, the Redevelopment Agency of the City of Morgan Hill Budget for the 2006/07 fiscal year was distributed to the Agency Board of Directors on May 12, 2006, was reviewed at a Public Workshop on May 19, 2006, and was further reviewed at a Public Hearing on June 7, 2006;

WHEREAS, modifications and amendments to the adopted 2006/07 Redevelopment Agency of the City of Morgan Hill Budget can only be made in accordance with the "Budget Administrative Policies" described in the Proposed Budget;

NOW, THEREFORE, the Redevelopment Agency Board finds that planning and administrative costs attributable to the Housing 20% Set-Aside fund are necessary and proportionate to amounts proposed for actual housing activities during the fiscal year; and

NOW, THEREFORE, BE IT RESOLVED that the Agency Board of the Redevelopment Agency of the City of Morgan Hill does hereby approve and adopt the Redevelopment Agency of the City of Morgan Hill 2006/07 Budget.

**PASSED AND ADOPTED** by the Redevelopment Agency of Morgan Hill at a Regular Meeting held on the 21<sup>st</sup> Day of June, 2006 by the following vote.

**AYES:**           **AGENCY MEMBERS:**  
**NOES:**          **AGENCY MEMBERS:**  
**ABSTAIN:**      **AGENCY MEMBERS:**  
**ABSENT:**       **AGENCY MEMBERS:**

**☪ CERTIFICATION ☪**

**I, IRMA TORREZ, AGENCY SECRETARY OF THE REDEVELOPMENT AGENCY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHRA-, adopted by the Redevelopment Agency at a Regular Meeting held on June 21, 2006.

**WITNESS MY HAND AND THE SEAL OF THE REDEVELOPMENT AGENCY  
OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, Agency Secretary**



***CITY COUNCIL STAFF REPORT***  
***JUNE 21, 2006***

Agenda Item # 16

Prepared By:

Council Services &  
Records Manager

Submitted By:

City Manager

**REQUEST FOR CITY COUNCIL SPONSORSHIP OF A  
“FORMER MAYORS” AND “SISTER CITIES” FOURTH OF  
JULY RECEPTION**

**RECOMMENDED ACTION(S):** Consider Request to Sponsor  
the “Former Mayors” and “Sister Cities” Fourth of July Reception

**EXECUTIVE SUMMARY:**

Mayor Kennedy requested that the item relating to Council sponsorship of a “Former Mayors” and Sister Cities Fourth of July reception be tabled from the Council’s June 7, 2006 meeting to look for opportunities to reduce some of the costs associated with the reception through sponsorships. It was originally calculated that the reception would cost approximately \$1,500. Mayor Kennedy has sought, and continues to seek sponsorships to cover some of the costs associated with the reception. Full sponsorship has not been achieved at the writing of this staff report. Mayor Kennedy is requesting the Council agree to sponsor this reception at a minimum cost of \$519 to pay for the use of the El Toro Room, an event attendant and security guard. If unable to find a food sponsor, it is being requested that the Council further sponsor this event in the amount of \$349 for a total amount of approximately \$867.

**FISCAL IMPACT:** There is sufficient funds in the Community Promotion’s budget (010-1200-42248) to cover the approximately \$867 in costs to sponsor the reception. These funds have been allocated for Morgan Hill Centennial Committee in-kind services. It is unlikely that we will spend all the funds allocated for the Centennial Committee this fiscal year, and will return within 90 days to rebudget the funds needed to fulfill the \$50,000 commitment to the Centennial Committee. As an alternative, the Council could appropriate funding from the general fund reserves.



## **CITY COUNCIL STAFF REPORT**

### **JUNE 21, 2006**

**Agenda Item # 17**

**Prepared By:**

**Council Services &  
Records Manager**

**Submitted By:**

**City Manager**

### **RULES FOR SCHEDULING WORKSHOPS AND CLOSED SESSIONS**

#### **RECOMMENDED ACTION(S):**

1. Council Discussion and Direction Regarding Amendments to Council Policy, CP-97-01, Section 5, Subsections D and E - Order of Business as they relate to the start time of Workshops and Closed Sessions; and
2. Staff to Amend Policy 97-01 per Council Direction

#### **EXECUTIVE SUMMARY:**

On June 7, 2006, Council/Agency Member Tate requested that staff agendize the discussion about the rules for scheduling Closed Sessions.

At the January 2006 Council goal setting workshop, the Council directed as follows:

1. Staff to amend the Municipal Code and/or other authorities to provide that the City Council and Redevelopment Agency will hold three regular meetings per month. Regular meetings are to be held on the 1<sup>st</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> Wednesdays of the month. This change in the Municipal Code and other authorities were recommended in order to allow the Council to introduce ordinances at all three scheduled meetings.
2. Cancellation of the 3<sup>rd</sup> Wednesday meeting(s) if it appears to be a light agenda.
3. Closed Sessions to be scheduled at 6:00 p.m. only when the expected 7:00 p.m. business session is such that a long meeting is predicted; or whenever a specific topic requires the involvement of outside counsel or staff, and is best scheduled for 6:00 p.m.

At the June 7, 2006 Council meeting, Council Member Tate stated his preference for scheduling closed sessions prior to the business portion of the meeting. Staff is requesting that the Council: 1) re-affirm the direction given at the Council's January 20-21 goal setting workshop regarding the start time for closed sessions, or 2) provide staff direction regarding the Council's preference for scheduling closed sessions.

Staff has attached Council Policy, CP-97-01: Rules for the Conduct of City Council meetings. Staff specifically refers the Council to page 3, Sections 5.1.D and 5.1.E of this policy.

- Section 5.1.D states that workshops are to be scheduled from 5:00-6:00 p.m., as deemed appropriate. Staff brings to the Council's attention that the Public Safety and Community Services Committee has established the 3<sup>rd</sup> Wednesdays of the month, 5:00-6:00 p.m. as its regular meeting date/time. The Financial Policy Committee has established the 4<sup>th</sup> Wednesdays of the month, 5:00-6:00 p.m. as its regular meeting date/time. The Council is being asked to give direction to staff regarding scheduling workshops in light of the conflict that has resulted with the two standing Council Committees (e.g., workshops are only to be scheduled on the 1<sup>st</sup> Wednesdays of the month, or as deemed appropriate so as not to conflict with Council standing committees; or may result in bumping/rescheduling of Council standing committees if a workshop needs to be scheduled on the 3<sup>rd</sup> or 4<sup>th</sup> Wednesdays of the month). This section of the policy may need to be amended, depending on Council direction.
- Section 5.1.E stipulates that Closed Sessions are to be scheduled between 6:00-7:00 p.m., or as deemed appropriate. This policy further states that closed session items may be continued to the conclusion of the agenda. Staff requests Council direction regarding the rules for scheduling start times for closed session items.

Upon Council direction regarding scheduling workshops and the start times for Closed Session items, staff will modify these sections of the Policy accordingly.

**FISCAL IMPACT:** No budget adjustment required.